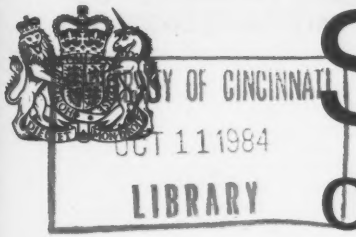
VOL 14 No 4 APRIL 1984

BIND SHELF



SURVEY of Current Affairs

Government and Administration

Management Reforms in the Civil Service 111

Shorter Notes
The Parliamentary Ombudsman 113; Passport Office 113

External Affairs and Defence

European Community 114

Shorter Notes
Defence Management Reorganisation 118; Rugby Football Union Tour of South Africa 118; Aid to India 119; Aid to Nepal 119; Overseas Surveys Directorate 120

Economic and Scientific Affairs

The Budget 1984-85 121

Public Expenditure and Taxation 127

Overseas Trade and Balance of Payments in 1983 129

Overseas Direct Investment 133

Co-operative Development Agency and Industrial Development Bill 135

Shorter Notes
Inflation Accounting 137; Citizens Advice Bureaux 137; Aid for Industrial Innovation 138; Private Sector Steel Scheme 138; Onshore Oil and Gas Licensing 139; Aerospace Industry 139; Measurement 140; Pollution Abatement Technology Awards 140

Social and Cultural Affairs

Reviews of the Social Security System 142

Microcomputers in Schools 142

Strategy for the Arts 144

Shorter Notes
Reparation for Victims of Crime 145; Technology in Schools 146; Smoking and Health 146

Documentation 148

DA
10
.S9

Prepared for the Foreign and Commonwealth Office by the Central Office of Information and published by Her Majesty's Stationery Office, London

Annual subscription including postage and index £2.1

The *Survey of Current Affairs* is produced primarily for use overseas, but in response to requests has also been made available in Britain. Subscription and distribution inquiries should be addressed to Her Majesty's Stationery Office, P.O. Box 569, London SE1 9NH, and editorial inquiries to Reference Services, Publications Division, Central Office of Information, Hercules Road, Westminster Bridge Road, London SE1 7DU. Although the material is Crown Copyright, it may be reproduced without special permission.
Other documents produced by Reference Services, if not on sale through Her Majesty's Stationery Office, may be obtained direct from Distribution Unit (Overseas), Publications Division, Central Office of Information, at the above address on payment of a small charge.

Management Reforms in the Civil Service

Recent management reforms to improve efficiency and a programme of action to ensure equal employment opportunities for women in the Civil Service were outlined by the Minister of State at the Privy Council Office, Lord Gowrie, in a speech in Newcastle upon Tyne on 9 March.

Speaking at a Royal Institute of Public Administration seminar, Lord Gowrie, who is in day-to-day charge of personnel management in the Civil Service, referred to the push for greater efficiency and value for money which the Government had been giving over the last five years. It had been and would continue to be the Government's policy to reduce the size of the Civil Service, which had shrunk by some 100,000 posts since 1979 [from 732,300 in April 1979 to 632,600 in January 1984] and to bring about more efficient, cost-conscious working methods in every section of that smaller service.

One of the principal weapons in the attempt to achieve greater efficiency and value for money had been the Financial Management Initiative.[1] This was a programme of work covering the whole Civil Service. It aimed to give line managers clear aims and targets; to delegate authority to them for achieving those goals; to call them to account for their performance; and to provide better information to senior managers on how effectively the activities for which they were responsible were being handled at a subordinate level. This process would result in departments at the centre refining their systems of monitoring spending by other departments, and to some extent relaxing their grip on the detail of that spending. It would help the numerous managers across the vast range of activities in the Civil Service to take a more positive role in making the most of their resources. The Financial Management Initiative concerned not just finance but management in general, and the new management style which the Government aimed to create would provide a better service to the public.

While there was reason to be proud that selection for senior posts in the service was based solely on merit, there was a need to strengthen senior management, and recent progress had been made to improve systems so as to ensure that senior managers came from all groups of the service, not just the 'traditional policy-oriented high-fliers', and that they had received the appropriate experience and training to be expert managers. In 1981 the Government had introduced systematic succession planning for all posts. This meant that for any one top post, emergency successors, 'next normal' successors and 'next-but-one' successors had been identified. Career plans were drawn up to ensure that an individual who lacked experience or skill would receive the appropriate experience and training. This applied particularly to training in financial management.

On the subject of efficiency, Lord Gowrie referred to the Government's decision, since taking office, to make savings within the service of some £320 million, while savings of a further £120 million were under consideration. Much of the present efficiency programme involved asking questions about work carried out, why it was done and how much it cost. One of the most important questions was whether personnel were being deployed in the best possible way. Referring to the number of hands through which papers still passed in the Civil Service and to the risk that when staff knew that their work would be checked several times they would be encouraged to be over-cautious, Lord Gowrie said that much of the efficiency programme was geared to identifying individual responsibilities and to removing the procedures that hindered people from doing the best they were capable of.

Equal Opportunities for Women: A Programme of Action

Turning to the main theme of his speech, Lord Gowrie said that his recent work to remove some of the organisational barriers facing women in the service was essentially the same as his work to make service managers more suitably trained and experienced, and to create a more efficient use of staff.

A programme of action[1] had been agreed between management and trade unions. This incorporated the great majority of the recommendations made by the Joint Review Group on

[1]This is described in two White Papers, *Efficiency and Effectiveness in the Civil Service* (see p 334, 1982) and *Financial Management in Government Departments* (see p 347, 1983).

[1]*Equal Opportunities for Women in the Civil Service: Programme of Action*. Available free from Room 320, Cabinet Office (Management and Personnel), Standard House, Northumberland Avenue, London WC2N 5AA. ISBN 0 7115 0057 6.

Employment Opportunities for Women in the Civil Service which the Government had set up in 1980 and whose report, published in 1982, had identified the need to restructure traditional working patterns; to promote ways of enabling women to progress to senior levels; and to set up mechanisms for monitoring progress.

The Programme of Action contained a full policy statement affirming the Civil Service management's commitment to equal opportunities and making clear the responsibilities of those concerned for ensuring full equality of opportunity. While those at the centre would suggest what ought to be done, it was vital to allow managers in departments to act in the way that suited them best. Departments had been asked to designate staff in their personnel units as equal opportunity officers with responsibility for co-ordinating policy and advising senior management. Moreover, arrangements had been made for unions and management to review jointly the progress made. While these were the central controls, the real transformation had to take place at local manager level.

Part-time Work and Job-sharing

There was a need to bring imagination and flexibility to bear in the restructuring of work patterns. The Programme of Action encouraged departments to expand opportunities for part-time work and job-sharing. Already one department – the Department of Health and Social Security – had introduced a job-sharing scheme and had received over 600 applications from staff, all of them women, almost all of which the Department expected to accept. This would mean that some 300 job-sharing posts would be formed across the country in one department alone. Thus 600 people would be able to keep the momentum of their careers going, and the Department would benefit from having 600 fewer able staff dropping out of the system. While it cost slightly more to employ two part-time rather than one full-time employee, very often the combined commitment and energy of two part-time staff exceeded that of one person working full-time. Departments had been asked to discuss with their unions what job-sharing experiments could be introduced. A further way of adapting the structure of the working day was through the use of flexible working hours. In the Civil Service flexible working schemes had been operating since the early 1970s. These schemes, which were voluntary, had been increasing so that the majority of non-industrial civil servants were now covered by flexible working arrangements.

Maternity and Special Leave

As another means of retaining and making the most of trained staff, women were also offered up to one full year's absence from work on maternity leave. Departments were being encouraged to use reinstatement and special leave, as much as resources allowed, to help staff with families to look after and other prolonged domestic difficulties. Departments were also being encouraged to ensure that their staff were made fully aware of the possibilities in these areas. If managers were to get the best out of their staff, they must communicate directly and effectively with them and listen to what they had to say.

Career Development of Female Staff

The Government was anxious to see more women in senior positions in the Civil Service and was encouraged that, between 1971 and 1981, women did proportionately as well as men in promotion into the fast stream – that is, the area from which many senior managers were eventually selected. It was hoped that the latest managerial reforms would ensure that women achieved a fuller representation at the top than formerly.

Promotion Studies

Following the recommendations of the Joint Review Group, research had been commissioned as to how promotion procedures actually worked. Two aspects were being considered. The first concerned whether reporting and promotion systems treated women fairly, and research so far had suggested that while the system did not discriminate between men and women in judging their performance, there was some difference in judging men and women as regards their promotion potential; much, but not all, of this was explained by women having shorter service than men. It was possible that other differences remained to be identified. The second aspect for research concerned the attempt to establish whether managers who completed staff reports applied different standards to men and women; whether they made assumptions, which were not sustainable, about what women could and could not do; or whether women disqualified themselves from promotion by making it clear that they were not interested in promotion, that they were less mobile, that they wanted to give more time to their families. This research was being carried out by the Personnel Research Unit of City University and any decisions on what, if any, remedial action was necessary, awaited the results of its studies.

The importance of sound information had to be emphasised and the Programme of Action had arranged, as far as resources would permit, for management and unions to have at their disposal facts and figures about part-time working, reinstatements, equal opportunity complaints and other key indicators which, it was hoped, would be of positive value in their reviews.

Management Training

Lord Gowrie then spoke of the positive steps which the Civil Service could take to help women who might not have had as good a preparation as men for management positions. The Civil Service College had since 1981 been running a management development course specifically geared to the training needs of women civil servants at middle management levels, while a more recent initiative had been the introduction of a course for both women and men managers as part of training in management development issues.

Child-care

Civil Service managers were being encouraged to consider carefully and sympathetically proposals for self-financing day-care schemes for the chil-

dren of staff. Both managers and staff should be aware of the successful schemes already running – what they had to offer, how they could be made viable, and what obstacles had to be faced.

Lord Gowrie concluded with an appeal to all managers: not only in the Civil Service, but in the arts, in the public sector and across the whole economy, to maximise their assets. Organisations were only as good as their staff, the men *and* the women. Managers needed to recruit the best talent they could afford; to plan their staff's career development and training; to assess their needs as individuals with private lives to lead and responsibilities to handle, but most important, to handle them as talent to be used to the full and as investment to be repaid. Those in responsibility should be given as much authority as possible in handling those resources to the best of their abilities.

Nearly half of all the Parliamentary Commissioner's work has consistently involved complaints about tax and social security. This should not be taken as indicating that these two departments are particularly prone to maladministration, he says, but rather as an indication of the scale of their contact with the public which far exceeds that of other departments.

Of the 751 complaints received in 1983 the largest numbers were directed against the Department of Health and Social Security (223); Inland Revenue (142); Department of the Environment (44); Department of Employment (37); Department of Transport (28); Home Office (25); and Ministry of Defence (20). Of the cases considered during the year 66 per cent were rejected, the principal reason being that the complaint did not concern administrative action or that the authorities involved were outside the scope of the Commissioner's jurisdiction.

Source: *Parliamentary Commissioner for Administration. Annual Report for 1983*. HMSO, £4·70. ISBN 0 10 232284 8.

Shorter Notes

THE PARLIAMENTARY OMBUDSMAN

Several issues concerning the work of his office are discussed by the Parliamentary Commissioner for Administration, Sir Cecil Clothier, in his annual report for 1983. Sir Cecil retires at the end of 1984 after a five-year term of office. The Commissioner, or Parliamentary Ombudsman, whose function is to investigate complaints of maladministration by central government departments at the request of Members of Parliament on behalf of their constituents, considers that he should have additional powers to initiate investigations himself. So far as he knows, says Sir Cecil, he is alone among the hundred or so national ombudsmen in having no powers to initiate investigations into apparent maladministration which has come or been brought to his notice.

Sir Cecil considers that some aspects of personnel and contractual or commercial matters should be brought within his jurisdiction, and points out that the Parliamentary Commissioner in Northern Ireland has the power to examine complaints about personnel matters. He also believes that where a Member of Parliament feels unable to pass on a case for investigation, a citizen should be entitled to have the Ombudsman's personal judgment on the standing of the complaint.

PASSPORT OFFICE

Responsibility for the Passport Office was transferred from the Secretary of State for Foreign and Commonwealth Affairs to the Secretary of State for the Home Department on 1 April. Passports will in future be issued in the United Kingdom by the Home Secretary who also assumes responsibility for all passport policy matters. The Foreign and Commonwealth Secretary will continue to issue passports in foreign and other Commonwealth countries and there will be no alteration in the arrangements under which passports are also issued by the Governors of British dependent territories and the Lieutenant-Governors of the Channel Islands and the Isle of Man.

The procedure for obtaining a British passport is unchanged as are the addresses [in London, Liverpool, Newport, Peterborough, Glasgow and Belfast] to which applications should be made.

Source: *Hansard*, Vol 56, No 124, written answers, col 487.

EXTERNAL AFFAIRS AND DEFENCE

European Community

The future financing of the European Community was the main item discussed by the European Council in Brussels on 19 and 20 March. Although considerable progress was made towards resolving the problem, agreement was not reached. During a debate in the House of Commons on 3 April, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, reaffirmed the need for effective control of Community expenditure and for a fair sharing of the budget burden. On 1 April Community agricultural ministers agreed a package of farm price measures for 1984-85. In February the Community approved a research programme on information technology.

COMMUNITY FINANCE

Prime Minister's Statement

Reporting on the European Council meeting to the House of Commons on 21 March (*Hansard*, Vol 56, No 124, cols 1049-61), the Prime Minister, Mrs Margaret Thatcher, said that it had made progress towards securing control of Community spending through an annual limit on overall expenditure and a strict financial guideline on agricultural expenditure. The French presidency had also proposed a lasting system for a fair sharing of the budget burden which Britain was prepared to accept. However, some other member states were unable to do so and no agreement was reached on the level of the British net contribution resulting from the application of such a system.

Mrs Thatcher said that a sustained attempt had been made to reach a satisfactory compromise on all the issues at stake. At the end of the discussions, however, Britain had been offered a five-year *ad hoc* arrangement instead of a lasting equitable system for Community financing. Under this Britain would have received less than the average refund for the years 1980, 1981, 1982 and 1983. This was unacceptable, as were the unsatisfactory arrangements concerning milk production (for further developments on this, see pp 116-17). As a result, Britain could not endorse an increase in the Community's value added tax (VAT) resources[1] – from 1 per cent to 1·4 per cent in 1986 with a possible further increase to 1·6 per cent in 1988 – since, as had been made clear at the Stuttgart Council in 1983 (see pp 226-9), its consideration of such an increase was conditional on there being effective control of agricultural spending and a fair sharing of the budget burden.

[1]The Community's revenue, known as 'own resources', consists of customs duties on imported goods, levies collected on imported agricultural products, and the product of a notional rate of VAT levied on a Community harmonised base at a rate not exceeding 1 per cent.

Finance Ministers' Meeting

Further discussions on the Community's budgetary problems took place during a meeting of finance ministers on 2 April. The British position was outlined in a paper, issued by the Chancellor of the Exchequer, Mr Nigel Lawson, which emphasised that the main question at issue was the request by other member states and the Commission for an increase in the ceiling on value added tax own resources. 'This demand is equivalent to a change in the Treaty and requires the unanimous agreement of member states and their Parliaments. We have agreed to consider this major change in the Community's finances, but only if there is effective control of Community expenditure and a fair sharing of the budgetary burden.'

Mr Lawson welcomed the progress made in the negotiations (see pp 115-16) and said that this was in large measure due to the flexible approach adopted by Britain which had moved much further on many of the issues than had other member states. Britain had made a major concession by agreeing to be a net contributor at all when it was seventh out of ten in terms of relative prosperity, and had moved substantially on the initial figures for the new system. At the Athens council (see p 405, 1983) Britain had aimed for a settlement in which it would have had a net contribution of about 400 to 500 million European Currency Units (see p 117, footnote) and recently had moved to a figure of about 660 million European Currency Units, which still left it as the second largest net contributor for the foreseeable future. 'Given our position in the relative prosperity league, I find it hard to understand how this position can be characterised as asking too much.'

Concluding, Mr Lawson said that the British Government wanted the negotiations to reach a satisfactory conclusion in the near future. Britain's positive approach could not be in doubt, as shown by its agreement to ESPRIT (see p 117), its recent budget decision over the wine/beer duty ratio (see p 122), and its support for the European Airbus project (see p 139).

Parliamentary Debate

Opening a debate in the House of Commons on 3 April (*Hansard*, Vol 57, Nos 133 and 134, cols 869-932) the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, stressed the strength of the Government's commitment to the Community and said that the outcome of the present negotiations would have a decisive influence on the shape of the Community for many years to come.

Sir Geoffrey said that the real task faced by Britain in the last decade had been how to develop the advantages of Community membership to the full. 'We have seen a position develop in which the United Kingdom has been required to shoulder a manifestly unfair share of the budgetary burden. The Community has not developed policies in areas away from agriculture in the way that we have been led to expect. For a number of years now we have faced the need to secure a fairer deal on the budget in a series of annual negotiations.' The Government was determined to find a lasting solution and to develop the Community's potential to the full. Together with its partners Britain was seeking to fashion a fresh approach for the Community and shared the French view that a relaunch of its policies was necessary. The 1983 Stuttgart declaration (see pp 226-9, 1983) had been an important landmark since it had called for new policies, control on spending, an examination of revenue needs and, above all, a fair budget system.

Budgetary Discipline

Commenting on the question of budgetary discipline, Sir Geoffrey said that several other member states, notably the Federal Republic of Germany and the Netherlands, had long shared Britain's anxiety on this score. The Brussels European Council had confirmed two vital points. 'First, it is accepted that the rigorous rules that govern budgetary policy in member states should apply also to the Community budget. Secondly, the important point has been accepted that revenue should govern expenditure – and not the other way round.' Similarly, there was no longer any dispute regarding two important principles, namely that at the beginning of each year's budgetary procedure the maximum level of overall expenditure for the following financial year would be fixed; and that the rate for the growth of agricultural expenditure would be held below the rate of growth of Community revenue. It would be the task of the Council of Ministers to translate these principles into measures guaranteeing their effective application. 'The rules that follow from these principles must ensure that any possible increase in own resources does not once again lead to an uncontrolled growth in agricultural spending because of lax, undisciplined budgetary procedures.'

The outcome of meetings of agriculture ministers (see p 116) was a major step towards reform of the Common Agricultural Policy (CAP), for the agreement on a price freeze or price reductions for most commodities was a considerable achievement. Also under discussion was a stipulation that there should be a fixed sum for agricultural expenditure each year and that in the event of any overrun, this should be collected or clawed back in following years. This would need to be handled on the basis of a three-year moving average, since expenditure could fall below or above the initial figure. Although there was a long way to go before agricultural spending was brought fully under control, a significant start had been made.

Budget Contributions

Sir Geoffrey pointed out that the most difficult issue in the negotiations was the fairness of the Community budget. The present own resources system, set up in 1970 for a Community of six members, did not operate fairly in a Community of ten and this was being recognised more and more by Britain's partners. Moreover, the arrangements under discussion covered the key points; if adopted in their present form, they would ensure that any member state carrying an excessive budgetary burden in terms of its relative prosperity would have its contribution to the budget corrected and brought into line. The correction would no longer be applied through a system of refunds based on notional payments on the spending side but through a reduction in the VAT contribution in the following year. In addition, the duration of the correcting mechanism would be linked to any decision on new own resources. 'In other words, contributions will be related to ability to pay and there will be no more *ad hoc* arrangements from year to year. This is plainly a much more sensible way in which to finance the Community.'

The issue separating member states in the negotiations, continued Sir Geoffrey, was the figure on which the system needed to be based. Although the gap between what Britain had been offered and what it could accept seemed small, two points had to be noted. Every step taken to meet the other nine member states had to be paid for exclusively by Britain, whereas the cost of any steps taken by them was shared among nine. Moreover, the base figure would govern what would happen in the years ahead. 'The system will be dynamic and will thus determine the sharing of the Community budget in future. That is why we must get the base figure right from the start. What counts is the cumulative effect over a long period.' Sir Geoffrey emphasised that Britain was not arguing for a zero contribution since it expected to remain a net contributor even under a new system. 'We want to ensure that that net contribution does not increase unreasonably. The question for us is not so much the size of our rebate in the opening year, though that is important, as the way in which the system will develop over a number of years.'

Sir Geoffrey said that other member states shared the view that, because the 1 per cent VAT ceiling had been reached and because it was impossible to negotiate immediate real cuts in agricultural costs, an increase in the Community's resources was necessary to allow the continuation of existing non-agricultural policies, the adoption of new ones, and enlargement of the Community. Britain was not prepared to agree to an increase in resources without control of agricultural and other spending and without achieving a fair shar-

ing of the burdens. If there was to be an increase in resources as part of a package, Britain took the view that it should be restricted to 1·4 per cent in 1986 and that it should be subject to ratification by member states' own parliaments. If there were a proposal for a further increase to 1·6 per cent, this too could only take place with the unanimous agreement of member states and through ratification by national parliaments. This view was eventually accepted at Brussels by every other member state.

1983 Refund

Turning to the question of Britain's refund for 1983 agreed at the Stuttgart meeting in 1983, Sir Geoffrey said that the Community's failure to pay it now was unjustified and misconceived. (France and Italy blocked the payment at a meeting of foreign ministers held shortly after the European Council.) The Community was committed to making the payments and Britain would insist that it did so. Although the British Government had taken the view that it should take no action that might damage the prospect of decisive progress in the present negotiations, it would not agree to any increase in own resources without a budget settlement including the payment of the 1983 refund.

New Policies

Sir Geoffrey pointed out that the Brussels European Council had reached a large measure of agreement on new policies. These included the development of the Community's scientific and technological potential, and member states would adopt by the end of June a framework programme for telecommunications and biotechnology. In addition there would be an increased programme for research and development. Specialist Councils of Ministers would work on measures to reduce frontier controls, to establish common standards and to open up public sector contracting, and to liberalise trade in services. Britain would press for practical action and do its utmost to keep the momentum going.

Concluding, Sir Geoffrey said that a successful European Community was a major British national interest. 'That is why the Government will persevere with their efforts to set the Community on a basis which will enable all its members to contribute fully and fairly to its success.'

Opposition Views

Referring to the failure of the Community to pay Britain's 1983 refund, the official Opposition spokesman, Mr Robin Cook, said that British contributions equivalent in value to the rebate should be withheld until the payment had been made. Mr Cook criticised the agricultural settlement on the grounds that it would result in an increase in expenditure, the Commissioner for Agriculture having stated that it would mean an extra £500 million a year above the estimate provided for agricultural spending. Moreover, this increase came on top of an agriculture budget that was already overspent. The crisis in the Community was an opportunity to secure fundamental reform and a new sense of direction. This chance was being lost, however, since there was no major reform of the CAP or any new initiative to tackle the problem of mass unemployment throughout Europe.

The Liberal spokesman, Mr Russell Johnston, said that cuts in agricultural spending needed to be phased in sensibly since sudden changes in policy could not be implemented without causing considerable hardship to many people. Referring to the proposed rise in VAT own resources, Mr Johnston said that it was insufficient to cover any significant changes in the budget such as increasing the Regional and Social Funds or boosting expenditure on research.

AGRICULTURE

Following a series of meetings of Community agricultural ministers, agreement was reached in March concerning a scheme to tackle milk surpluses. Farm prices for 1984-85 were also agreed.

The first meeting took place in Brussels on 11, 12 and 13 March. Reporting to the House of Commons on 14 March (*Hansard*, Vol 56, No 119, cols 401-7) the Minister of Agriculture, Fisheries and Food, Mr Michael Jopling, said that a substantial measure of agreement had been reached on an important scheme to deal with the Community's growing milk surplus and the increase in its budgetary costs. The principal element of the scheme was a supplementary levy to be charged upon all milk produced above a specified quantity. The Community-wide quota for deliveries to dairies would be 98·2 million tonnes in 1984-85 and 97·2 million tonnes each for the succeeding four years. The 97·2 million tonnes represented the total of Community milk deliveries in 1981 plus 1 per cent, and quotas among member states would be divided on that basis. The supplementary levy would apply either at the level of the dairy, in which case deliveries in excess of the quota would be charged at 100 per cent of the target price for milk, or at the level of the individual producer, in which case excesses would be charged at 75 per cent of the target price. The scheme would apply to all producers. The main outstanding issue related to possible special arrangements for individual member states, since the Irish Republic was claiming exemption to enable it to continue expanding its production up to the average yields of the Community.

Ministers completed their discussions on 30 and 31 March. Reporting to the House of Commons on 2 April (*Hansard*, Vol 57, No 132, cols 661-72) Mr Jopling said that the Council had reached agreement on all outstanding issues on prices and other aspects of the CAP. The settlement represented for the first time 'a positive step in controlling the growth of unwanted food surpluses and the consequent huge increases in the cost of the CAP'. Milk production was expected to drop in 1984-85 by about 6 million tonnes below what would otherwise have been the case, thereby saving the Community over £1,000 million. Nevertheless, even at the revised level of production, the excess of production over Community consumption would be about 10 million tonnes. Moreover, it was doubtful whether in

1984 agricultural expenditure could be easily met within the budgetary provisions. Britain had made it clear that if this were to happen, the Community would need to take the necessary steps to limit expenditure if budgetary problems arose.

Mr Jopling said that the supplementary levy on milk would take effect immediately and that it would continue for five years with a review at the end of the third year. The Irish Republic would be included in the system and would have no guarantee of future expansion beyond 1984.[1] On the detailed arrangements for implementing the levy, Mr Jopling said that Britain had secured important changes to enable redistribution of quotas to take place without restrictions relating to size of dairy herd.

Turning to other issues Mr Jopling said that, despite strong opposition from the European Commission and all other member states, Britain had successfully insisted upon the retention of the beef variable premium scheme.[2] There would be a small reduction in the maximum rate paid and the premium would be clawed back on exports which benefited from it. The suckler cow subsidy, designed to deal with the specialist beef sector's particular difficulties, would be raised from £12·37 to the maximum permitted level of £24·74.

Noting that there were a number of detailed changes in a very complicated compromise package, Mr Jopling stated that overall common support prices had been reduced by about 1·5 per cent and that, once adjustments in green exchange rates[3] had been taken into account, this meant a reduction in real terms of between 2 and 3 per cent.

COMMUNITY RESEARCH PROGRAMMES

Information Technology

On 28 February the European Community's Council of Research Ministers approved the European Strategic Programme for Research and Development in Information Technology (ESPRIT). Giving details to the House of Commons on 21 March (*Hansard*, Vol 56, No 124, cols 1109-42), the Minister of State for Industry and Information Technology, Mr Kenneth Baker, explained that the aim of the research programme was to lay the basis for Europe to compete with Japan and the United States in these technologies. At the present time the European industry commanded only 10 per cent of the world information technology market and less than 40 per cent of the indigenous European market. The ESPRIT programme would cover research and development in advanced microelectronics, software technology, advanced information processing, office systems and computer integrated manufacture, and a key element would be the encouragement of common standards and conventions throughout Europe. Its cost would be some £860 million over five years, half being borne by the Community and the other half by the participants. ESPRIT was additional to national programmes in this field, Britain's Alvey programme (see p 170, 1983) amounting to £350 million over the next five years. In addition, the Government had recently announced further assistance (amounting to £170-£180 million) for high technology, most of this being for the development of microchips, since it wanted to ensure that the research undertaken by the ESPRIT and Alvey programmes was developed in products that could be sold throughout the world.

Noting that the Community had agreed a pilot stage for ESPRIT in December 1982, Mr Baker pointed out that Britain was involved in over half the 38 projects and in the lead in about one-third. British participation included major information technology companies (GEC, Plessey and ICL), software houses (Logica, Scicon and SLD), engineering firms (Babcock Power and British Leyland), research bodies (Cranfield Institute of Technology and the Welding Institute) and several universities; while the projects included a high-level computer-assisted design system, a software production and maintenance system, work on the standardisation of local area networks, advanced algorithms and architecture for signal processing, and the exploitation of real time imaging for arc welding. The proposal for the main ESPRIT programme was the kind of new policy which the Community needed for its future development.

The minister said that the Council of Research Ministers had made improvements to the original management proposals for ESPRIT to ensure the direct involvement of member states in decisions on major projects and the general direction of the programme. Britain had insisted upon this and had successfully pressed for much of the management to be carried out by people on secondment from industry rather than by permanent officials. Britain had also welcomed the involvement of industry, including many British firms, in the development of ESPRIT's technical work plan and regarded this as an important means of ensuring that the programme was not just a bureaucratic exercise but was genuinely affected by the market place.

Science and Technology

The European Commission is inviting proposals for contracts under the Community's second Forecasting and Assessment in Science and Technology (FAST) research programme for the period from 1983 to 1987. The aim of the programme, adopted by the Council of Ministers in October 1983, is the analysis of scientific and technological changes in order to highlight their implications and consequences for the Community's research and development and other policies.

[1]Under the agreement the Irish Republic has been given a 4·65 per cent increase (245,000 tonnes) for 1984 and Britain obtained an additional 65,000 tonnes for Northern Ireland.

[2]A scheme used to increase prices for beef cattle marketed by British producers.

[3]Community agricultural support prices are set in European Currency Units, calculated on the basis of a 'basket' of all Community currencies, which are converted into the currencies of the member states at fixed rates of exchange ('green rates') which do not vary automatically in line with changes in real exchange rates. Since green rates can be out of line with the market rate of exchange between each currency and the European Currency Unit, monetary compensation amounts (MCAs), based on the percentage difference between the green and market rates of each currency, are applied to prevent distortions in trade. They act as import levies and export subsidies for countries whose currencies' market rates are above green rates (positive MCAs) and as import subsidies and export levies for countries whose currencies are below green rates (negative MCAs).

The first FAST programme ran from 1978 to 1983 and the second will concentrate on new opportunities for economic growth in Europe, strategies for new and emerging industries and the development of service activities and technological change. It has a budget of £5 million.

Shorter Notes

DEFENCE MANAGEMENT REORGANISATION

Proposals for a reorganisation of the management of the Ministry of Defence including the creation of executive committees to manage each Service, a combined military-civilian Defence Staff advising the Defence Secretary on policy and operations, and an Office of Management and Budget were outlined by the Secretary of State for Defence, Mr Michael Heseltine, in a consultative paper presented to Parliament on 12 March. Explaining his proposals to the House of Commons on the same day, Mr Heseltine said that at a time of rising defence expenditure, it was particularly important to ensure that the resources made available were put to best effect. 'We must ensure that [they] are applied to enhance the fighting effectiveness of our armed forces and there can be no place for unnecessary bureaucracy and overheads.'

The identities of the three Services, the paper states, would be retained, and the constitutional position of the Defence Council and the Service Boards too would remain unchanged. There was, however, a need for a clearer distinction between (a) the formulation of advice on operations, policy and resource allocations which were central to the Ministry and (b) the management of the three Services which needed to be decentralised as far as practicable. The paper says that oversight of the management of each Service should be the principal concern of the Service Chiefs of Staff, who would continue to be responsible in particular for the efficiency and morale of their Services, and report to the Defence Secretary through the Chief of the Defence Staff. Management of personnel, training, logistics and supply would be exercised through executive committees as sub-committees of the Service Boards chaired by a Service Chief of Staff in accordance with centrally determined policy directives and budgets.

The paper proposes the creation of a fully unified and integrated military-civilian defence policy and operational staff (the Defence Staff) which, under the Chief of the Defence Staff and the Permanent Under-Secretary at the Ministry of Defence, would be responsible for providing advice on defence policy, military priorities and the conduct of military operations. It would incorporate the relevant parts of the existing Naval, General and Air Staffs as well as civilian staff. The Chiefs of Staff Committee would continue, supported by the Defence Staff, but the Chief of the Defence Staff would in future be responsible for preparing and conducting all military operations and not, as at present, just those involving more than one Service. Another change proposed is the creation of an Office of Management and Budget to achieve stronger control over corporate planning, the commitment of resources and financial management.

Since the paper attaches great importance to the possibilities of realistic and verifiable arms control, it says that a central Defence Arms Control Unit should be set up to advise the Defence Secretary: this would include military and civilian advisers, responsible jointly to the Chief of the Defence Staff and the Permanent Under-Secretary.

Sources: *Hansard*, Vol 56, No 119, cols 22-3; *MINIS*[1] *and the Development of the Organisation for Defence*. Ministry of Defence, 12 March 1984. Defence Open Government Document 84/03.

RUGBY FOOTBALL UNION TOUR OF SOUTH AFRICA

In a statement issued on 30 March the Parliamentary Under-Secretary of State with responsibility for Sport, Mr Neil Macfarlane, expressed the Government's disappointment at the Rugby Football Union's decision, announced earlier the same day, to undertake a full England rugby tour of South Africa in May and June: 'The Government's attitude towards sporting contacts with South Africa and towards this tour in particular is very well known, not least to the Rugby Football Union. . . . This is a free country, and ultimately it is for the [Union] to decide whether the tour takes place. My advice on behalf of the Government and, I believe, of British sport, remains clear; we are members of the Commonwealth and we totally support the [1977] Commonwealth Statement on Apartheid in Sport. The tour proposed could be damaging to Commonwealth and international sport, including rugby itself, and . . . is in my opinion a mistake.' Reiterating that the Government would not prevent the tour, nor seek to apply penalties or sanctions, Mr Macfarlane said he remained profoundly concerned and was still available to talk to the Union.

The Commonwealth Statement on Apartheid in Sport, issued by Commonwealth heads of Government at their 1977 meeting at Gleneagles, in Scotland (see p 261, 1977; p 414, 1983), says that it is the urgent duty of each of their governments vigorously to combat the evil of apartheid by withholding any form of support for, and by taking every practical step to discourage contact or competition by their nationals with, sporting organisations, teams or sportsmen or women from South Africa or from any other country where sports are organised on the basis of race, colour or ethnic origin. The British Government meets its commitments by advice and persuasion; it also ensures that no Sports Council funds are used to support British involvement in sporting events in which South Africa is represented. The Government, however, possesses no

[1]The Management Information System for Ministers (MINIS) process is designed to provide better information that would increase management efficiency in government departments in the fields of setting objectives, establishing priorities and allocating resources.

powers of compulsion and cannot therefore direct British governing bodies of sport, which are independent of Government.

Source: Department of the Environment Ministerial Statement, 30.3.84.

AID TO INDIA

Under two agreements recently signed between Britain and India, Britain is to provide a further £24 million to finance housing schemes for poor people, £13·5 million worth of coalmining equipment and training in its use in Indian coalfields, and £3 million worth of special cables to link Calcutta to the Titagarh power plant.

The grant of £24 million will help the Housing and Urban Development Corporation (HUDCO) to make loans to State Housing Boards and other housing authorities covering 126 housing schemes in various parts of India, providing shelter for some 159,000 families. Since its establishment in 1970, to promote housing and urban development programmes, new satellite towns and improvements in the building materials industries, HUDCO has provided loans to finance 1·4 million houses, over 70 per cent of them for the poor. Britain provided a grant of nearly £15 million in 1982 which has now been largely spent. The new grant will be spent over the next three years.

The £13·5 million worth of modern mining equipment will help raise productivity and improve safety, and also allow experienced miners to be redeployed to other parts of India's expanding coal industry. India has large coal reserves and needs to increase production and to cut down on expensive coal imports which use up scarce foreign exchange. The 72 kilometres (44·7 miles) of 132 KV gas-filled cable Britain is providing at a cost of £3 million will help boost Calcutta's power supply by allowing surplus power from the new Titagarh Station to be used to relieve power shortages in the city, which suffers from frequent cuts with damaging effects on industry.

India benefits from the largest of Britain's bilateral aid programmes and Britain remains the largest bilateral donor to India in net terms: spending, all in grant form, totalled nearly £128 million in 1983. Britain is also a major contributor to the World Bank and United Nations aid programmes of which India is a major beneficiary.

Other recent British aid to India has included £30 million to help small farmers improve their output through irrigation, land development, soil conservation and reclamation schemes, and horticultural, livestock and fisheries projects, with a further £50,000 going to finance related research studies in Indian institutions; and £91 million to develop India's power and coal industries and railway system. In addition, £8·5 million has been provided to pay for a British belt conveyor and local construction costs at a giant new aluminium mine and smelter complex in Orissa; £5·5 million to support the Municipal Corporation of Hyderabad in providing sewers, drains, roads and pavements, refuse disposal, water supply and street lighting and other basic services to improve living conditions for over 44,000 of the city's poor; and £15 million towards building up forests in Karnataka, with a further £10 million to be provided to help Mysore Paper Mills grow additional timber for pulping.

Britain's programme of technical co-operation with India is worth over £7 million annually and covers a wide range of activities. Projects may involve visiting experts and consultants, equipment, and training awards in Britain. The training programme for India is the largest in Britain's aid programme, accounting for approximately half of Britain's technical co-operation with India in 1982.

Source: Overseas Development Administration press notices, 21 and 22 March 1984.

AID TO NEPAL

The Dharan to Dhankuta road in eastern Nepal, built with a British aid grant of £18·33 million, was formally opened on 15 March by King Birendra of Nepal. The ceremony was also attended by Lady Young, Minister of State at the Foreign and Commonwealth Office. The road, construction of which began in 1976, is 51 kilometres (31·8 miles) long and cuts across the first range of Himalayan foothills where steep mountain ridges are intersected by deep valleys. It is built upon ground much of which is unstable and subject to severe erosion and landslips, especially during the monsoon season. Until recently the only way to reach Dhankuta was on foot, along a rocky and precipitous mountain trail that has for centuries been part of one of the main trade routes from the plains of India to Tibet. The new road will help improve the quality of life in a remote and impoverished region, providing access, for the first time, to the rest of the country, together with a regular bus service.

Britain is also funding a roads maintenance unit which will cover any major repairs resulting from the unstable terrain or monsoon damage. The £2·6 million project, signed in January 1984, includes British consultancy staff to assist in developing local road maintenance capacity.

To maximise the social and economic benefits of the road project, Britain is co-operating with the Government of Nepal in a £9 million rural development project in the hill regions around Dhankuta – the Kosi Hill Area Rural Development Programme which, managed by the Overseas Development Administration's Land Resources Development Centre, involves the provision of British experts and capital aid in such fields as community health, agriculture, water supplies, livestock and forestry. As well as increasing agricultural production, the programme aims to provide alternative sources of income from cottage industries and improved marketing for local farmers using new feeder roads.

British aid to Nepal totalled some £9·6 million in 1982. Of this, £6·9 million was in the form of project aid and £2·5 million technical co-operation.

As well as the Dharan to Dhankuta road, recent major projects have included the development of the tea industry in eastern Nepal, the construction of grain storage warehouses, and the installation and commissioning of an earth satellite station and related telex facilities in Kathmandu for the improvement of international telecommunications. The technical co-operation programme has included provision for two hill agricultural stations at Pakhribas and Lumle, forestry research and trials, the staffing of a boys' secondary school and assistance to the Institute of Engineering. A programme of assistance for the new Nepal Administrative Staff College is under way. Technical co-operation officers or British consultants have provided support for all the capital projects, and there has been a substantial training programme for Nepalese in Britain.

Sources: Overseas Development Administration press notice, 15.3.84; and *British Overseas Aid 1982*. Overseas Development Administration, 1983. £4·95. ISBN 0 11 983609 2.

OVERSEAS SURVEYS DIRECTORATE

On 2 April the Directorate of Overseas Surveys, hitherto a specialised unit within the Overseas Development Administration (ODA), became a part of the Ordnance Survey, based at Southampton, with ministerial responsibility for it passing to the Secretary of State for the Environment.

The Overseas Surveys Directorate of the Ordnance Survey, as it is now known, will continue to provide advice to the ODA on the survey and mapping needs of developing countries and British dependencies, supervising contracts with the private sector, undertaking surveys and mapping of some projects, providing training and acting as a source of information to overseas governments, international agencies and Britain's private sector. The cost of these activities on behalf of the ODA will continue to be met from Britain's overseas aid programme.

The Directorate of Overseas Surveys was established in 1946 as the Directorate of Colonial Surveys to carry out geodetic surveys and topographical mapping in the then British dependencies, but its role was over the years extended to the developing countries as a whole. Since 1946 it has provided services to 83 countries and mapped 6·4 million sq km (2·5 million square miles); 460 people from 56 countries have received training at its headquarters at Tolworth, in Surrey. The Directorate is substantially involved in basic 1:50,000 topographic mapping and also undertakes map revision, larger-scale mapping of limited areas, and specialised thematic mapping, in addition providing advisory and training services for survey departments in developing countries. In 1982 the Directorate carried out major survey and mapping projects in Africa and the Caribbean; expenditure on its work under bilateral technical co-operation arrangements in 1982 amounted to some £3·8 million.

Source: Overseas Development Administration press notice, 29.3.84.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Budget 1984-85

A continuing reduction in inflation and the reform of taxes were the central themes of the Budget presented on 13 March by Mr Nigel Lawson, his first since his appointment as Chancellor of the Exchequer. Abolition of the employers' National Insurance surcharge and a considerable easing in the burden of corporation tax are designed to help business – and lead to more jobs – while individuals will gain from a 7 per cent rise in the real level of income tax allowances and the withdrawal of the investment income surcharge. In 1983 the rate of inflation, at some 4·5 per cent, was the lowest since the 1960s, and Britain's rate of growth was the highest of any country in the European Community.

The main Budget proposals are outlined below,[1] followed by a fuller account of the Chancellor's speech and a brief summary of opposition views.

Business Taxation

Phased reductions in the main rate of corporation tax from the present level of 52 per cent to 35 per cent by 1986-87. Immediate cut in the small companies' rate from 38 per cent to 30 per cent.

Reductions in capital allowances. Abolition by 1986.

An easing of capital transfer tax and capital gains tax.

Raising of the threshold for development land tax.

Abolition of the employers' National Insurance surcharge (NIS).

Taxes on Savings and Investment

Cut in the rate of stamp duty from 2 per cent to 1 per cent and increase in the threshold for house purchase from £25,000 to £30,000.

Abolition of the 15 per cent income tax relief on life assurance premiums.

Abolition of the 15 per cent investment income surcharge.

Taxes on Spending

Raising of the value added tax (VAT) threshold from £18,000 to £18,700.

Increase in duty on tobacco, petrol, derv and certain alcoholic drinks.

Reduction in duty on table wine.

Extension of VAT to building alterations and hot take-away food.

Personal Taxation

Income tax thresholds to be raised by about 7 per cent in real terms.

Monetary Policy

The medium-term financial strategy to be carried forward and an additional narrow monetary indicator to be incorporated.

Public Borrowing

The Government to aim for a public sector borrowing requirement (PSBR) in 1984-85 equal to 2·25 per cent of gross domestic product (GDP).

CHANCELLOR'S STATEMENT

Introducing the Budget in the House of Commons (*Hansard*, Vol 56, No 118, cols 286-304), the Chancellor affirmed that there would be no slackening in the Government's determination to defeat inflation. The Government would continue the policies that it had followed consistently since 1979 – policies which provided the only way to achieve the ultimate objective of stable prices. 'To abandon them would be to risk renewed inflation, and much higher unemployment. As a result of our determined efforts, inflation is at its lowest level since the 1960s. Economic recovery is well under way and employment is growing.'

Mr Lawson would do nothing to compromise the successes which had been achieved by his predecessor, Sir Geoffrey Howe, but would try to build on them. Accordingly, the Budget had two themes: a further reduction in inflation and 'a series of tax reforms designed to enable the economy to work better, . . . to stimulate enterprise and set British business on the road to profitable expansion [and to] help to bring new jobs'.

BUSINESS TAXATION

On business taxation, the Government had two responsibilities: to ensure that it did not account for a disproportionate share of total taxation and to ensure that any particular burden was structured in a way that did least damage to Britain's economic performance. The Budget measures would, over the next two years, result in a substantial fall in the burden of business taxation.

[1] A general account of the tax system is given in *Britain's Tax System*, COI, No 217/83.

Current rates of corporation tax were far too high, penalising profit and success. Also, at a time of high unemployment, it was hard to justify a tax system which sometimes encouraged low-yielding or even loss-making investment at the expense of jobs. The Chancellor therefore proposed to phase out some unnecessary reliefs in order to bring about, in time, a markedly lower rate of tax on company profits.

Capital Allowances

Fiscal incentives for investment in both plant and machinery and in industrial (but not commercial) buildings had been in operation for almost all of the period since 1945. However, there was little evidence that these measures had either strengthened the economy or improved the quality of investment. On the contrary, businesses seemed to have undertaken investments yielding a substantially lower rate of return than those made by Britain's main competitors. 'Too much of British investment has been made because the tax allowances make it look profitable, rather than because it would be truly productive. We need investment decisions based on future market assessments, not future tax assessments.'

Capital allowances would be restructured in three annual stages. First, for investment in plant and machinery, the first-year allowance (100 per cent of the cost allowed against profits in the first year of an asset's use) would be reduced immediately to 75 per cent and to 50 per cent from April 1985. First-year allowances would be abolished in April 1986 but all expenditure on plant and machinery would qualify for annual allowances of 25 per cent. Secondly, allowances would be given as soon as the expenditure was incurred and not, as now, when the asset came into use. This would bring forward the entitlement to annual allowances for assets such as ships and oil rigs, for which some payment was normally made before they came into use. Thirdly, initial allowances on industrial buildings would fall immediately from 75 per cent to 50 per cent and be further reduced, to 25 per cent, from April 1985. These allowances would be abolished from April 1986. 'When these changes have all taken place, tax allowances for both plant and machinery and industrial buildings will still on average be rather more generous than would be provided by a strict system of commercial depreciation.' Transitional arrangements would apply to certain investment projects in the Development Areas and Special Development Areas (see p 135, footnote).

Stock Relief

With the sharp reduction in the rate of inflation, tax relief on the inflationary rise in the value of stocks was no longer necessary. Stock relief would therefore be abolished from April.

Corporation Tax Rates

'The changes . . . in capital allowances and stock relief enable me to embark on a major programme of progressive reductions in the main rate of corporation tax', the Chancellor went on. The rate applying to profits earned in 1983-84 would be cut from 52 per cent to 50 per cent. For the years 1984-85, 1985-86 and 1986-87 the rates would be 45 per cent, 40 per cent and 35 per cent respectively. The small companies' rate (applying to companies with profits of up to £100,000 in a financial year) would be reduced immediately from 38 per cent to 30 per cent. 'Business and industry can go ahead confidently on the basis of the corporation tax rates that I have announced today, which set the framework of company taxation for the rest of this Parliament. . . . These changes hold out an exciting opportunity for British industry as a whole: an opportunity further to improve its profitability, and to expand, building on the recovery that is already well under way. Higher profits after tax will encourage and reward enterprise, stimulate innovation in all its forms, and create more jobs.'

Business Expansion Scheme

The business expansion scheme (which allows investors in certain types of enterprise to obtain income tax relief on up to £40,000 invested in any one year – see p 133, 1983) had been widely welcomed as a highly imaginative method of encouraging investment in new or expanding companies in high-risk areas. However, the ownership of farmland could not be said to fall within this category and so it would be excluded from the scheme.

Capital Taxes

Enterprise and risk-taking would be encouraged by a reduction in the highest rate of capital transfer tax from 75 per cent to 60 per cent (in addition to the statutory indexation of bands to allow for inflation). The scale applicable to lifetime gifts would be simplified so that it was always one-half the scale for transfers on death.

In addition to indexation, capital gains tax would be eased by a doubling, to £100,000 (backdated by a year), of the relief applying to people of retirement age. A consultative document on other possible changes in this relief was being issued.

Development Land Tax

The threshold for development land tax would be increased from £50,000 to £75,000, which would reduce the number of cases liable to the tax by over one-third.

Value Added Tax on Imports

On the payment of VAT on imported goods, Britain would, from 1 October, switch to the system practised in other member countries of the European Community under which importers would be able to defer payment of the tax by, on average, a month from the date of importation (as opposed to some 11 weeks at present).

National Insurance Surcharge

The NIS (a tax on employers at the rate of 1 per cent of the earnings, up to £250 a week, of each employee) would be abolished from 1 October, reducing the costs of private-sector employers by about £350 million in 1984-85 and by over £850 million in a full year.

TAXES ON SAVINGS AND INVESTMENT

Mr Lawson proposed changes aimed at improving the direction and quality of savings and investment. These would 'contribute further to the creation of a property-owning and share-owning democracy, in which more decisions are made by individuals rather than by institutions'.

Share Option Schemes

Savings-related share option schemes, under which employees could qualify for income tax relief on money used to buy shares in their companies, would be extended by doubling, to £100, the monthly limit on contributions. Gains made under approved schemes would no longer be subject to income tax but to capital gains tax on ultimate disposal of the shares.

Stamp Duty

The present level of stamp duty (payable on the transfer of certain types of property including houses and shares) was an impediment to competition and incompatible with the competitive forces now at work in the City of London following the exclusion of the Stock Exchange from the Restrictive Practices Court (see pp 434-6, 1983). The rate would therefore be halved, to 1 per cent, and the threshold applicable to house purchase would be raised from £25,000 to £30,000. This would mean that 90 per cent of first-time house-buyers would not have to pay stamp duty. A fall in the rate on share transfers would remove a major obstacle to investment in British equities and increase the international competitiveness of the stock market.

Fixed-Interest Taxation

Fixed-interest company securities would be exempt from capital gains tax if held for over a year. With these securities already exempt from stamp duty, the tax concessions for private-sector borrowing in the corporate bond market would be virtually the same as for government borrowing by the issue of stock.

Life Assurance

Tax relief of 15 per cent on life assurance premiums would be withdrawn. The main effect of relief had been to favour institutional rather than direct investment; it had also led to an abundance of tax-management schemes.

Investment Income Surcharge

The 15 per cent investment income surcharge – 'an unfair and anomalous tax on savings and on the rewards of successful enterprise' – would be abolished.

Bank Deposit Interest

The system whereby income tax on customers' deposits at building societies was deducted at source at a special, composite rate would be extended to banks. This would make for simplicity, parity of treatment of the two institutions and staff savings at the Inland Revenue.

'Taken together, [these proposals] will remove biases which have discouraged the individual saver from investing directly in industry. They will reinforce the Government's policy of encouraging competition in the financial sector, as in the economy as a whole. And they are part of a package of measures designed to enable interest rates to fall, and reduce the cost of borrowing.'

TAXES ON SPENDING

The 1979 Budget had shifted the burden of taxation from taxes on income to taxes on spending (see pp 196-7, 1979). 'To reduce direct taxation by this means is important in two ways. It improves incentives and makes it more worthwhile to work, and it increases the freedom of choice of the individual.'

Excise Duties

Following representations that he had received on health grounds, Mr Lawson proposed an increase in tobacco duty which (including VAT) would raise the price of a packet of 20 cigarettes by 10p, with corresponding increases in prices for hand-rolling tobacco and cigars. There would not, however, be a rise in the duty on pipe tobacco.

Most of the other excise duties would be increased broadly in line with inflation. 'But with inflation as low as it now is, the necessary increases are on the whole mercifully modest.'

Duties on petrol and derv would be raised by amounts which (including VAT) would lead to price increases of 4·5p and 3·5p a gallon respectively. Kerosene duty would be abolished.

Vehicle excise duty on cars and light vans would be raised from £85 to £90 a year. To take account of wear and tear to the roads caused by different types of vehicle, there would be reductions in duty for the lightest lorries, offset by increases for some heavier lorries.

The Chancellor went on to explain that the rules of the European Community on alcoholic drinks were designed to prevent a member state from protecting domestic products by imposing a significantly higher duty on competing imports. The European Commission had contended that Britain was protecting beer by under-taxing it in relation to wine. Accordingly, the duty on beer would be increased by the minimum needed to comply with this judgment and maintain revenue – 2p (including VAT) on the price of a typical pint. The duty on a bottle of table wine would be reduced by the equivalent of 18p (including VAT). Duty on cider, which was competing increasingly with beer but attracting a lower rate of duty, would be raised by 3p a pint (including VAT). The duties on made-wine would be aligned with those on other wine, while that on sparkling wine, fortified wine and spirits would rise by about 10p a bottle (including VAT).

Value Added Tax

The registration threshold for VAT would be raised from an annual turnover of £18,000 to one of £18,700. VAT would be extended to alterations on buildings from 1 June (it already applied to repairs and maintenance). From 1 May hot take-away food would also be subject to VAT.

PERSONAL TAXATION

Income Tax

Despite the reductions in income tax made since the Government took office in 1979, 'the burden of income tax is still too heavy'. Mr Lawson said that he intended, therefore, during the present Parliament, to carry forward the progress already made. With reforms in business taxation the main element in this Budget, this would, for the most part, have to wait for future Budgets. However, for 1984-85, he would, within the framework of a revenue-neutral Budget, raise the level of basic income tax thresholds for both single and married people by more than statutory indexation required. They would rise from £1,785 to £2,005 and from £2,795 to £3,155 respectively, representing increases of some 7 per cent in real terms. The married man's allowance would be at its highest real level since 1945.

The Chancellor proposed to abolish two reliefs against personal income tax which had been introduced at a time when Britain had exceedingly high rates of income tax. With the reduction in these rates, the reliefs were no longer justified. Accordingly, the 50 per cent relief – falling after nine years to 25 per cent – on the earnings of foreign-domiciled employees working in Britain for foreign employers would be abolished. The 25 per cent relief would end on 6 April while the 50 per cent relief would be phased out over the next five years. Relief on foreign earnings for British residents working at least 30 days abroad in a tax year would also be withdrawn as would the matching relief for the self-employed and for people resident in Britain but with some activities carried out abroad. The relief would be halved to 12·5 per cent in 1984-85 and removed entirely from April 1985. No change would be made to the 100 per cent relief which applied to absences abroad amounting to 365 days or more.

The rates measuring the benefits of company cars still did not reflect the true benefit. From April 1985, therefore, the scales for both cars and fuel would be raised by 10 per cent.

ECONOMIC BACKGROUND

The annual rate of inflation had fallen steadily, from the peak of over 20 per cent reached during 1980 to some 4·5 per cent in 1983, the lowest since the 1960s. Lower inflation had brought lower interest rates which, in turn, had led to an economic recovery, the underlying strength of which was now beyond dispute. Whereas, in some previous cycles, recovery had come from a self-defeating stimulus to monetary demand, this time it had 'sprung from sound finance and honest money. Lower inflation and lower interest rates benefit industry, business, and consumer confidence alike.'

Total money incomes grew in 1983 by about 8 per cent, of which 3 per cent represented real growth in output. Although there was still room for improvement, this was a very much healthier division between inflation and real growth than that experienced in the 1970s. Output in the second half of 1983 was now reckoned to have exceeded its pre-recession peak and was still rising strongly.

Productivity had also continued to improve rapidly. In 1983 productivity in manufacturing grew by 6 per cent for the second year in succession while unit labour costs in the economy as a whole were likely to record their lowest annual increase since the 1960s. 'This has allowed a welcome and necessary recovery in real levels of profitability.'

Higher profits led to more jobs, the Chancellor explained. The number of people in work had risen by about 80,000 between March and September 1983. The loss of jobs in manufacturing had slowed down sharply while the number of jobs in services had increased by about 200,000 in the first nine months of 1983. But further progress was needed: Britain's three leading competitors, the Federal Republic of Germany, Japan and the United States, all enjoyed a lower rate of increase in manufacturing unit wage costs. Prospects for employment would be significantly better if cost performance could be improved further by lower pay rises.

Domestic demand had played the major part in the recovery so far. Lower inflation reduced the need to save and so real incomes had increased. Personal consumption rose by over 3·5 per cent in 1983; fixed investment grew even faster with investment in housing and services performing especially strongly.

Britain's rate of growth in 1983 was the highest among member countries of the European Community. Growth was set to continue throughout 1984, at an annual rate of 3 per cent. Inflation was expected to remain low, the annual rate falling back to 4·5 per cent by the end of 1984. With rising incomes and low inflation, consumption would continue to grow. Investment, encouraged by improved profitability and better prospects for long-term growth, was expected to rise by a good 6 per cent in 1984. Inevitably, there were risks and uncertainties: for example, pressures for protection in the United States and disruption in the oil market. 'But despite these risks there is a growing sense throughout the industrialised world that the recovery this time is one which can be sustained. The essential requirement is the continued pursuit of prudent monetary and fiscal policies.'

MONETARY POLICY

The Government's medium-term financial strategy (see p 113, 1980) had been the cornerstone of monetary policy in Britain. It would continue to provide a framework and discipline and to set out clearly – to individuals and financial markets – the guidelines of policy. 'Too often in the past governments have abandoned financial discipline whenever the going got rough, and staggered from one short-term policy expedient to another. The temptation to accommodate inflationary pressure proved irresistible, and the nation's longer-term economic performance was progressively undermined.' The financial strategy was so designed to ensure that, the more inflation and inflationary pressures came down, the more room would be available for output and employment to grow.

Table 1

Planned Ranges for Monetary Growth

Percentage change during year

	1984-85	1985-86	1986-87	1987-88	1988-89
Narrow money–M0*	4-8	3-7	2-6	1-5	0-4
Broad money–sterling M3†	6-10	5-9	4-8	3-7	2-6

*Weekly averaged series.

†New definition – excluding public sector deposits.

Table 2

Summary of Central Government Transactions

£ thousand million

	1983-84 Budget forecast	1983-84 latest estimate	1984-85 forecast
Consolidated Fund			
Revenue	87·8	88·7	98·0
Expenditure	95·6	97·4	103·4
Deficit	7·7	8·7	5·4
National Loans Fund			
Consolidated Fund deficit (as above)	– 7·7	-8·7	– 5·4
Other transactions:			
Receipts	11·3	11·8	12·6
Payments	-15·0	-16·4	-17·5
Total net borrowing by the National Loans Fund	-11·4	-13·3	-10·3
Other funds and accounts (net)	– 0·1	-0·1	– 0·8
Central government borrowing requirement	-11·5	-13·4	-11·1

The financial strategy, which had originally covered four years, was now being extended for a further five (see Table 1). It showed a continuing downward path for the monetary target ranges over the next five years and a path for government borrowing consistent with this. As the final two years of the new strategy lay beyond the period covered in the 1984 public expenditure White Paper (see pp 84-8), the Government had not yet made firm plans for public spending; nevertheless, the assumption was that the real levels of spending in 1987-88 and 1988-89 would be the same as that planned for 1986-87. Because the strategy was not a rigid framework there might, as in the past, need to be adjustments to take account of changing circumstances. 'But no changes will be made that might jeopardise the consistent pursuit of the Government's objectives.'

Over the 12 months ended mid-February, the growth of the monetary measures had been either within or just above the 7 to 11 per cent target range of increase (see p 131, 1983). Other evidence, such as the relative stability of the sterling exchange rate, confirmed that monetary conditions were satisfactory.

The practical implementation of monetary policy had to adapt to changes in the financial system and in the significance of different measures of money if policy was to remain on course. Accordingly, the Government had decided to give the narrow measures of money a more explicit role. While sterling M3 (money in circulation and the sterling bank deposits of British residents) and the other broad measures gave a good indication of the growth in liquidity, a large proportion of this money was really a form of savings, invested to earn interest. In defining policy, it was therefore helpful also to make specific reference to measures of money which were more closely related to balances held for current spending; M1 (notes and coin in circulation and the most liquid private sterling deposits of British residents) had for this reason been introduced as a target aggregate. However, with the rapid growth in interest-bearing liquid deposits, it had become an increasingly poor measure of money held to finance current spending. Other narrow measures had not been distorted to the same extent. In particular, M0 (notes and coin, both in circulation and in bank tills, and banks' operational balances with the Bank of England) was likely to be a better indicator of financial conditions than M1.

Table 3
Taxation and Miscellaneous Receipts

£ million

	1983-84 Budget forecast	1983-84 latest estimate	1984-85 forecast
Taxation			
Inland Revenue			
Income tax	31,400	31,300	33,800
Corporation tax*	6,200	6,000	8,400
Petroleum revenue tax†	5,200	6,100	6,000
Capital gains tax	600	670	710
Development land tax	55	70	75
Capital transfer tax‡	550	610	680
Stamp duties	980	1,100	860
Total Inland Revenue	45,000	45,900	50,500
Customs and Excise			
Value added tax	15,500	15,300	18,000
Oil	5,700	5,600	6,100
Tobacco	3,700	3,800	4,100
Spirits, beer, wine, cider and perry	3,900	3,900	4,000
Betting and gaming	610	630	650
Car tax	610	700	700
Other excise duties	20	25	20
European Community own resources:			
Customs duties, etc	1,130	1,120	1,230
Agricultural levies	250	225	200
Total Customs and Excise	31,400	31,300	35,000
Vehicle excise duties§	1,850	2,020	2,140
National Insurance surcharge	1,700	1,700	900
Total taxation	80,100	80,900	88,500
Miscellaneous receipts			
Broadcast receiving licences	770	750	770
Interest and dividends	370	430	400
Gas levy	550	520	510
Oil royalties	1,600	1,900	2,000
Other‖	4,500	4,200	5,800
Total	87,800	88,700	98,000

*Including advance corporation tax:
Net of repayments 2,300 2,100 3,000

†Including advance payments.

‡Including estate duty 10 9 6

§Including driving licence receipts.

‖Including the 10 per cent of own resources refunded by the European Community to meet the costs of collection, other receipts from the Community and proceeds from special sales of assets.

Whereas in the past two years it had been possible to set a single target range for both narrow and broad measures (see p 116, 1982, and p 131, 1983), this would no longer normally be so because of the tendency of narrow measures to grow more slowly than broad measures in the long run; there were now, therefore, two separate – though overlapping – ranges, the downward trend of which was consistent with the falling trend in inflation. M0 and sterling M3 would be of equal importance in the conduct of policy; other measures of money would also be taken into account as would the wider evidence of financial conditions, including the exchange rate.

PUBLIC SECTOR BORROWING AND EXPENDITURE

The financial strategy had always envisaged a fall in the medium term of the PSBR as a percentage of GDP. The latest estimate of this figure for 1983-84 was 3·25 per cent – significantly above that intended at the time of the last Budget (see p 131, 1983) but lower than it would have been

without the measures of July 1983 (see pp 233-4, 1983). A further substantial reduction in borrowing was now needed in order to bring about a continued fall in interest rates as monetary growth slowed. Therefore, the 1984-85 projection of the PSBR as a proportion of GDP was being reduced from the 2·5 per cent made in the last Budget (see p 131, 1983) to 2·25 per cent. The absolute level of the projected PSBR in 1984-85 was now being cut from last year's estimate of £8,000 million to £7,250 million, which would require no net increase in taxation. While the Budget measures would, after indexation, be broadly neutral in their effects on revenue in 1984-85, they would lead to a reduction in taxation in 1985-86 of well over £1,750 million. There should be room for tax cuts not only in 1985-86 but throughout the remainder of the Parliament 'provided that we stick firmly to our published plans for public expenditure to 1986-87, and maintain an equally firm control of public spending thereafter'.

Mr Lawson pointed out that a consultative document being published on Budget day (see below) stressed that firm control of public spending was a prerequisite for reducing the tax burden, which was still too heavy.

BUDGET STATISTICS

Tables 2 and 3, taken from the *Financial Statement and Budget Report 1984-85*, show the major items in the expected revenue and expenditure of central government and its borrowing requirements for 1984-85.

OPPOSITION VIEWS

Mr Roy Hattersley, speaking for the official Opposition on 14 March (*Hansard*, Vol 56, No 119, cols 413-19), welcomed the abolition of the NIS. However, he felt that the Chancellor was stubbornly refusing to initiate 'the real stimulus to investment and growth' – an increase in effective demand. Removal of capital allowances would penalise high-growth, high-investment and high-technology companies that should be assisted and supported. Mr Hattersley regretted the fact that, despite the proclaimed economic recovery, little was being done to improve the conditions of those in real need.

For the Liberal-Social Democratic Alliance, Mr Ian Wrigglesworth, speaking on 13 March (*Hansard*, Vol 56, No 118, cols 314-16), expressed disappointment at the Budget's implications for growth. Its main message was that there was little hope for the unemployed to find work in the year ahead and escape the poverty trap. 'The recovery that has started is not firm or of great strength; it is slender. It is a weak sapling and it needs to be nurtured and strengthened by government action if it is to be sustained.'

Public Expenditure and Taxation

The overriding need to contain public expenditure if an increase in the tax burden is to be avoided is brought out in a consultative document[1] published on Budget day, 13 March. To achieve this it is suggested that the total amount of public expenditure must first be decided and individual spending programmes considered in this context.

The main points of the consultative document are summarised below.

Introduction

Each year the Government reviews and carries forward its spending plans in the public expenditure survey; the results appear in a White Paper, the latest of which was published in February (see pp 84-8). The review covers the next three financial years although it is carried out as part of a longer-term strategy.

The consultative document is concerned with the period up to 1993-94, setting out how the economy might be expected to develop under reasonable assumptions on public expenditure and taxation. The Government believes that, over the last 20 years, the growth in spending has been responsible for the continued increase in the burden of taxation – both personal and corporate. In order to reverse this process it is necessary to decide what can and should be afforded and then to set spending plans for individual programmes accordingly.

Past Trends in Public Expenditure

Over the past 20 years public expenditure has risen both in real terms and as a proportion of gross domestic product (GDP). The planned outturn for 1984-85 is nearly double the figure for 1963-64 in real terms. As a proportion of GDP, expenditure of general government (that is central government and local authorities) increased from 36 per cent in 1963-64 to a peak of 48 per cent in 1975-76; by 1983-84 it had fallen back to 46 per cent.

Powerful forces were driving public expenditure upwards over most of the last two decades. Rising expectations about the help which government should give to the disadvantaged sections of the community were one factor as were demographic changes which brought about an increase in the relative numbers of the very young and the elderly. Expenditure was also increased for economic reasons, either as a general stimulus to demand (notably during the recessions induced by the oil price rises of 1973 (see p 441, 1973) and 1979 (see p 198, 1979)) or to secure specific objectives such as regional or industrial development. Public service manpower also rose steadily in the 15 years up to 1978 but has since declined (see pp 87-8).

The public expenditure planning total increased by 7 per cent in real terms between 1978-79 and 1983-84. Particularly sharp rates of growth were seen in agriculture, fisheries, food and forestry (40 per cent, mainly because of support under the European Community's Common Agricultural Policy); law and order (33 per cent, largely as a result

[1] *The Next Ten Years: Public Expenditure and Taxation into the 1990s*. HM Treasury. Cmnd 9189. HMSO. £4·55. ISBN 0 10 191890 9.

of the Government's determination to fight rising crime); social security (26 per cent, marked by an increase in the numbers eligible for retirement pensions or unemployment or supplementary benefit); defence (23 per cent, reflecting Britain's commitment to implement the target set by the North Atlantic Treaty Organisation of an annual rise in real expenditure of 3 per cent up to 1985-86 (see p 195, 1981) and costs attributable to the Falkland Islands); and health and personal social services (16 per cent, largely as a result of increased medical provision).

Interest on government borrowing (although not part of the planning total) has been considerable. In the past, high levels of inflation progressively reduced the real burden of public debt; now this could be achieved only by a cut in government borrowing.

Despite continuing calls from central government to restrain their spending, local authorities (which account for about one-quarter of public expenditure) have increased their current expenditure by unacceptably high amounts since 1978-79, leading to a heavy and rising burden of rates (local property taxes). The Government has accordingly introduced legislation to limit the expenditure and rates of the highest-spending authorities (see pp 56-7).

The Government has contained the effect of these increases in public expenditure by reducing spending on other programmes. The cost of central government administration has fallen sharply with the Civil Service at its lowest level since 1945 (see p 87); net payments to the institutions of the European Community have been reduced by budget refunds amounting to some £2,600 million in the three years to the end of 1983; expenditure on trade and industry has fallen by 29 per cent in real terms since 1978-79; and there has been a marked decline in gross expenditure on public sector housing in England over the last five years. Spending on some programmes, such as education and science, has remained broadly stable in real terms over the last five years.

Past Trends in Taxation

The increase in public expenditure over the last 20 years has led to a corresponding rise in taxation. Taxes, rates and National Insurance contributions accounted for 29 per cent of GDP in 1963-64, rising to 37 per cent by the end of the 1960s. By 1978-79 taxes – other than those attributable to North Sea oil and gas – plus rates and National Insurance contributions represented 34·5 per cent of GDP, excluding that part rising from North Sea oil and gas. (The consultative document disregards the influence of the North Sea on taxes and GDP in accordance with the view that public interest is concerned mainly with personal and corporate taxation in the non-North Sea sector.) With upward pressures on public expenditure and the need to reduce government borrowing, this proportion is expected to rise to an estimated 38 per cent by 1984-85 (despite the contributions of North Sea taxes to government revenue).

The distribution of taxes has changed noticeably over the last two decades, with increases in the relative yield of income tax (although this has fallen back since 1978-79 as the burden has been shifted on to indirect taxation (see pp 196-7, 1979)) and National Insurance contributions (with the real value of benefits being preserved or increased and a rise in the number of beneficiaries) and a sharp fall in that of corporation tax (because of declining company profitability).

Prospects for Public Expenditure

The Government's policies for public expenditure up to 1988-89 are for broad stability in real terms. The prospects are much less clear beyond that date, both for public expenditure totals and for individual programmes. In keeping with its belief that programmes should be decided in the context of a predetermined total, the Government is not attempting detailed projections for individual programmes far into the future; nevertheless, it is possible even now to discern some of the pressures for higher spending.

Programmes likely to require an increase in the real level of spending are: social security (because of a rise in the proportion of the elderly and pensioners as well as increased outlay on disability benefits); defence (with the need to have increasingly sophisticated equipment to contain threats to British interests); health and personal social services (because of demographic influences and the need for expensive materials and techniques); and education (the need for better teacher training, more pre-school provision and costly courses in science and technology offsetting the effects of declining numbers of pupils and students).

Although public sector capital spending has remained broadly constant in real terms since 1978-79, sustained economic growth and increased demand in the longer term are expected to lead to pressures to maintain and improve the capital stock in the public sector.

Public service pay and pensions account for about one-third of public expenditure, with every 1 per cent rise in the pay bill adding around £330 million each year to spending. Upward pressures on pay have direct implications for the levels of service that can be provided.

Prospects for Taxation

Continued firm control of public expenditure is vital; without it there will be little prospect of any alleviation in the recent excessive levels of taxation. The amount of public expenditure is, together with the rate of economic growth and the cost of interest payments on government debt, a major determinant of the size of the tax burden.

If the public expenditure planning total is, as the Government intends, held constant in real terms up to 1988-89, taxes as a proportion of GDP will be lower in that year than in 1983-84 but still above the level in 1978-79 (whether or not the effects of the North Sea are included). However, any increase in the volume of public spending will detract from the impact of economic growth in reducing the tax burden.

Conclusion

The consultative document concludes by drawing attention to the fact that the inevitable consequence of the long-term rise in public expenditure – both in real terms and as a proportion of GDP – has been that taxes have risen broadly in step. The only exception has occurred when governments have increased their borrowing which, however, represents merely a tax on future generations.

It is essential that government and Parliament reach a decision on the total of public expenditure that can be afforded and then contain individual programmes within it. 'If the public discussion of these important issues leads to a wider understanding of this fact – that finance must determine expenditure, not expenditure finance – the discussion will have served a useful purpose.'

Overseas Trade and Balance of Payments in 1983

In 1983, for the fourth successive year, Britain had a surplus on the current account of its balance of payments. The surplus amounted to £2,000 million compared with £5,600 million in 1982. Although there was an adverse balance on visible trade, particularly in manufactured goods, invisibles continued to make a very valuable contribution; the surplus was provisionally estimated at £2,500 million, very much larger than the visible deficit. For the third year in succession the United States was Britain's leading export market. Overseas direct investment in Britain (other than by oil companies) was more than twice the 1982 level.

A summary of Britain's balance of payments in the years 1981-83 is given in Table 1.

Figures for the balance of payments for 1983 (together with revised estimates for 1981 and 1982) were published on 8 March by the Central Statistical Office in a press notice. Much of the information in this article, including Tables 1 and 5, is taken from the press notice while some of the commentary on visible trade is drawn from the annual report of the British Overseas Trade Board for 1983.[1] Tables 2 to 4 are derived from the March edition of the *Monthly Review of External Trade Statistics* produced by the Department of Trade and Industry.

Visible Trade

In 1983, for the first time since 1979, there was a deficit on the visible trade account, totalling £500 million, compared with a surplus of £2,384 million in the previous year. This change represents a return to the traditional pattern of Britain's trading results: in the 20 years prior to 1980 there was only one year, 1971, in which a visible trade surplus was recorded, although the balance on invisible trade has not been in deficit since 1947. An increase in the surplus in trade in oil of £2,445 million in 1983 was more than offset by a rise in the deficit on other goods of £5,329 million, which was largely a result of a considerable deterioration in the balance of trade in manufactures (the value of exports of manufactured goods rose by some 7 per cent in 1983 while imports increased by 21 per cent, turning a surplus of £2,503 million in 1982 into a deficit of £2,119 million in 1983).

In 1983 total exports (on a balance of payments basis[1]) increased in value by 9 per cent to £60,658 million (see Table 2), mainly reflecting higher prices (about 8 per cent), whereas export volume rose by less than 1 per cent. Excluding oil, the volume of exports fell by over 1 per cent, but in value terms increased by 7 per cent to £48,133 million. Some of the more significant changes were (on an overseas trade statistics basis): a growth in the value of exports of food, beverages and tobacco of 7 per cent, to £4,235 million in 1983 (see Table 3); an increase in exports of basic materials and fuels of 17 per cent, to £14,713 million (now accounting for 24 per cent of total exports); and, within manufactures, a rise in exports of chemicals of 13 per cent, to £6,929 million, and in overseas sales of other manufactured products of 6 per cent, to £32,990 million.

Imports of goods increased in value by 15 per cent in 1983 to £61,158 million (on a balance of payments basis), amounting to a 7 per cent growth in volume. The increase was fairly evenly spread across commodities: imports of finished manufactures excluding ships, North Sea installations and aircraft grew by 21 per cent in value to £26,723 million (on an overseas trade statistics basis); basic materials and fuels increased by 4 per cent to £11,790 million; and semi-manufactures excluding precious stones and silver rose by 16 per cent to £14,886 million. Within finished manufactures, imports of cars and other consumer products increased in value by 20 per cent to £10,561 million while intermediate and capital goods imports showed a rise of 22 per cent at £16,162 million.

Britain's overseas trade by area, on an overseas trade statistics basis, is shown in Table 4. More than two-fifths of Britain's trade is conducted with other European Community countries (the proportion rises to three-quarters if all developed nations are included) and exports to these countries increased by 15 per cent in value in 1983 to £26,516 million. Exports to North America rose by 12 per cent and the United States was Britain's largest export market for the third year in succession (taking 13·8 per cent of British exports in 1983), followed by the Federal Republic of Germany (10 per cent), France (9·3 per cent) and the Netherlands (9 per cent). Imports from oil-exporting countries declined by 18 per cent to £2,824 million while those from other Community countries rose by 19 per cent to £30,098 million and those from North America by 12 per cent to

[1]Available free from the British Overseas Trade Board, Publicity Unit, 1 Victoria Street, London SW1H 0ET.

[1]The primary difference between figures calculated on a balance of payments basis and those calculated on an overseas trade statistics basis is that the former exclude the cost of insurance and freight for imports and returned goods for both imports and exports.

Table 1
Balance of Payments

£ million

	1981	1982	1983
Visible trade balance	+3,652	+2,384	–500
Invisible trade balance	+3,620	+3,167	+2,549
of which *Services*	*+4,249*	*+3,874*	*+4,389*
Interest, profits and dividends	*+1,338*	*+1,402*	*+480*
Transfers	*–1,967*	*–2,109*	*–2,320*
Current balance	+7,272	+5,551	+2,049
Investment and other capital transactions	–7,352	–3,258	–2,044
Allocation of Special Drawing Rights	+158	—	—
Official reserves*	+2,419	+1,421	+603
Other official financing	–1,732	–137	+213
Balancing item	–765	–3,577	–821

*Drawings on (+)/additions to (–).

Table 2
Overseas Trade 1976-83
Balance of payments basis

	Exports f.o.b.* £ million	Imports f.o.b.* £ million	Visible balance £ million	Unit value indices (1980=100) Exports	Imports	Terms of trade†	Volume indices (1980=100) Exports	Imports	Relative volume index†
1976	25,191	29,121	–3,930	60·8	70·9	85·7	85·4	89·7	95·2
1977	31,728	34,012	–2,284	72·0	82·1	87·7	92·1	91·3	100·9
1978	35,063	36,605	–1,542	79·1	85·2	92·7	94·5	95·5	99·0
1979	40,686	44,135	–3,449	87·6	90·9	96·4	99·1	105·7	93·8
1980	47,422	45,909	+1,513	100·0	100·0	100·0	100·0	100·0	100·0
1981	50,977	47,325	+3,652	108·8	108·1	100·7	99·2	96·1	103·2
1982	55,565	53,181	+2,384	116·7	117·9	99·0	101·5	100·7	100·8
1983	60,658	61,158	–500	126·6	128·6	98·4	102·3	107·6	95·1

*Free on board; values include all costs accruing up to the time of placing the goods on board the exporting vessel or aircraft.
†Export index as a percentage of import index.

£9,027 million. The Federal Republic of Germany was the largest supplier of Britain's imports, as it had been in 1982, accounting for 14·6 per cent of imports, followed by the United States (11·3 per cent), the Netherlands (7·7 per cent) and France (7·6 per cent).

Invisible Trade

The provisional estimate of the surplus on invisible trade in 1983 is some £2,500 million, compared with £3,200 million in 1982. Within this total reduction there were widely different movements: the surplus on services rose by £515 million; that on interest, profits and dividends fell by £922 million; and the deficit on transfers increased by £211 million. Credits totalled £33,637 million and debits £31,088 million. Table 5 provides a breakdown of credits and debits for the main components.

Services

The surplus on services increased from £3,874 million in 1982 to £4,389 million in 1983; exports by volume rose by about 1 per cent whereas imports declined by nearly 3 per cent. Improvements in the civil aviation, travel and financial and other services accounts more than offset the sizeable worsening in the dry cargo balance. The overall sea transport deficit was substantially greater than in 1982, the deterioration being wholly attributable to adverse movements in the dry cargo account as the surplus on tanker operations remained constant: dry cargo credits fell significantly in 1983 while debits rose largely as a result of increased freight on imports. For the third successive year there was a deficit on travel, amounting to £365 million in 1983. Credits increased by 16 per cent, with a 7 per cent rise in the number of visitors to Britain and a similar increase in the value of their average expenditure, but debits rose by 11 per cent, mainly due to higher average spending as the number of people travelling abroad grew by only 1 per cent. The largest rise in visits to Britain was in the number from North America (which rose by more than one-third) but all regions showed increases.

Table 3

Overseas Trade by Commodity

Overseas trade statistics basis

	Exports (f.o.b.)			Imports (c.i.f.)*		
	1982 £ million	1983 £ million	1983 per cent	1982 £ million	1983 £ million	1983 per cent
Non-manufactures	**16,537**	**18,948**	**31·3**	**18,589**	**19,644**	**29·8**
Food, beverages and tobacco	3,960	4,235	7·0	7,251	7,853	11·9
Basic materials	1,340	1,586	2·6	3,930	4,723	7·2
Fuels	11,237	13,127	21·7	7,409	7,067	10·7
Manufactured goods	**37,313**	**39,919**	**65·9**	**37,114**	**44,905**	**68·0**
Semi-manufactures	14,060	15,791	26·1	14,032	16,960	25·7
of which *Chemicals*	*6,119*	*6,929*	*11·4*	*4,179*	*5,120*	*7·8*
Textiles	*1,192*	*1,285*	*2·1*	*1,928*	*2,320*	*3·5*
Iron and steel	*1,292*	*1,331*	*2·2*	*1,367*	*1,261*	*1·9*
Non-ferrous metals	*1,245*	*1,615*	*2·7*	*1,496*	*1,976*	*3·0*
Metal manufactures	*1,396*	*1,324*	*2·2*	*949*	*1,109*	*1·7*
Other	*2,816*	*3,307*	*5·5*	*4,113*	*5,174*	*7·8*
Finished manufactures	23,253	24,128	39·9	23,083	27,945	42·3
of which *Machinery*	*12,958*	*12,888*	*21·3*	*10,871*	*13,233*	*20·1*
Road vehicles	*3,109*	*3,084*	*5·1*	*4,490*	*5,754*	*8·7*
Scientific instruments and photographic apparatus	*1,807*	*2,046*	*3·4*	*1,813*	*2,166*	*3·3*
Clothing and footwear	*955*	*989*	*1·6*	*1,968*	*2,143*	*3·2*
Other	*4,424*	*5,121*	*8·5*	*3,941*	*4,649*	*7·0*
Miscellaneous	**1,708**	**1,667**	**2·8**	**1,275**	**1,444**	**2·2**
Total	**55,558**	**60,534**	**100**	**56,978**	**65,993**	**100**

*Cost of insurance and freight; values include the cost of insurance and freight from the country of consignment.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 4

Overseas Trade by Area

Overseas trade statistics basis

	Exports (f.o.b.)			Imports (c.i.f.)		
	1982 £ million	1983 £ million	1983 per cent	1982 £ million	1983 £ million	1983 per cent
Developed countries	41,393	46,508	76·8	46,191	54,729	82·9
of which *European Community*	*23,124*	*26,516*	*43·8*	*25,269*	*30,098*	*45·6*
Rest of Western Europe	*6,681*	*7,516*	*12·4*	*8,390*	*10,444*	*15·8*
North America	*8,353*	*9,342*	*15·4*	*8,095*	*9,027*	*13·7*
Other	*3,235*	*3,133*	*5·2*	*4,436*	*5,159*	*7·8*
Developing countries	13,053	12,783	21·1	9,349	9,611	14·6
of which *Oil-exporting countries**	*6,445*	*6,122*	*10·1*	*3,453*	*2,824*	*4·3*
Other	*6,608*	*6,661*	*11·0*	*5,896*	*6,786*	*10·3*
Centrally planned economies†	974	1,112	1·8	1,327	1,534	2·3
Total	55,558	60,534		56,978	65,993	

*Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.
†Soviet Union, German Democratic Republic, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania, Vietnam, Mongolia, the People's Republic of China and North Korea.
Note: Low value consignments are included in total imports and exports, but not in the allocation by area. Accordingly, the sums of the component parts do not equal the total figures given.

Reductions in visits to North America and the other countries of the European Community were offset by increases to other destinations. In 1983 the surplus on financial and other services increased by £862 million to £5,960 million: the rise in credits (those for insurance, particularly Lloyd's, rose substantially) greatly exceeded that for debits.

Interest, Profits and Dividends

The balance on interest, profits and dividends continued to move erratically throughout 1983

Table 5
Invisible Trade

£ million

	Credits			Debits			Balance
	1981	1982	1983	1981	1982	1983	1983
Services	**16,871**	**17,602**	**19,030**	**12,622**	**13,728**	**14,641**	**+4,389**
Private sector and public corporations	16,432	17,165	18,542	11,657	12,490	13,319	+5,223
of which *Sea transport – dry cargo*	*2,155*	*2,156*	*1,956*	*2,593*	*2,772*	*3,030*	*–1,074*
Sea transport – tankers	*1,629*	*1,407*	*1,219*	*1,351*	*1,133*	*945*	*+274*
Civil aviation	*2,359*	*2,471*	*2,665*	*1,922*	*2,080*	*2,237*	*+428*
Travel	*2,970*	*3,168*	*3,685*	*3,271*	*3,640*	*4,050*	*–365*
Other	*7,319*	*7,963*	*9,017*	*2,520*	*2,865*	*3,057*	*+5,960*
General government	439	437	488	965	1,238	1,322	–834
Interest, profits and dividends	**10,274**	**10,989**	**11,366**	**8,936**	**9,587**	**10,886**	**+480**
Private sector and public corporations	9,326	10,173	10,745	7,320	7,971	9,148	+1,597
General government	948	816	621	1,616	1,616	1,738	–1,117
Transfers	**2,585**	**3,151**	**3,241**	**4,552**	**5,260**	**5,561**	**–2,320**
Private	927	994	1,070	1,205	1,262	1,323	–253
General government	1,658	2,157	2,171	3,347	3,998	4,238	–2,067

and the annual surplus was much smaller than in 1982, at £480 million. Credits grew by only about 4 per cent, to £11,366 million, despite the continuing fall in the sterling exchange rate (which has the effect of raising the sterling value of earnings originally expressed in foreign currency). Debits increased by about 14 per cent in 1983, to £10,886 million (almost double the rise recorded in 1982), primarily reflecting the strong growth in direct investment earnings due overseas as British companies emerged from the recession and faster growth in profits due abroad from the United Kingdom Continental Shelf. British banks' earnings from portfolio investments overseas and net interest from foreign currency borrowing and lending were about £500 million lower than in 1982. However, sterling lending abroad by British banks produced increased earnings in 1983 although falling interest rates throughout the year resulted in a downward trend after the first quarter in spite of continuing growth in lending.

British oil companies experienced a substantial improvement in earnings from overseas investments in 1983 after several years of declining returns. Much of the improvement was attributable to the strength of the United States dollar but there was also a return to greater price stability and stronger demand for oil in the second half of the year. Overseas oil companies' earnings in Britain also recovered greatly in 1983, the annual total exceeding the previous peak in 1980. Earnings by British non-oil companies from overseas direct investments were some 6 per cent higher than in 1982, reflecting the fall in the sterling exchange rate against some of the major currencies in which earnings were made. Direct investment earnings by British affiliates of overseas non-oil companies rose by more than 30 per cent, suggesting a strong recovery from the recession during the year by British firms. Portfolio investment earnings from abroad increased by 50 per cent as a consequence of continuing large outflows of portfolio investments and the reduced international value of sterling.

Transfers

The deficit on transfers of £2,320 million in 1983 was made up of a private sector deficit of £253 million (slightly lower than in 1982) and a government deficit of £2,067 million (a little higher than in 1982). Government credits remained more or less steady as a decrease in budget refunds was offset by an increase in other receipts from the European Community. On the other hand, debits continued to rise in 1983 with higher payments to the Community and greater bilateral aid expenditure.

Investment and Other Capital Transactions

In 1983 there was a net identified outflow of capital of £2,044 million compared with £3,258 million in 1982 and £7,352 million in 1981 (see Table 1).

Inflows of total investment into the public and private sectors in Britain roughly doubled, to £6,405 million, between 1982 and 1983. Overseas direct investment in Britain (excluding the transactions of oil companies) was more than twice that recorded in 1982, although only about half of that investment was derived from reinvested profits compared with about three-quarters in 1982. Portfolio investment in companies in Britain rose from £130 million in 1982 to £930 million in 1983. British private investment overseas, at £10,895 million, was virtually unchanged.

The net inflow of foreign currency to British banks as a result of external borrowing and lending was £3,167 million lower in 1983, at £1,104 million, largely reflecting the use of deposits from British rather than overseas residents to finance continuing growth in the banks' foreign currency lending abroad; increased net inflows of sterling compensated for about half of this reduction. Within the sterling totals, lending

to overseas residents, other than to finance British exports, was much reduced in 1983 (well under half the total for 1982) and at its lowest level since the abolition of exchange controls in 1979 (see p 162, 1980). However, inflows in the form of sterling liabilities (for example, bank deposits and official overseas holdings of British government stocks) remained at a high level despite the further reduction in interest rates during 1983.

Official Financing

In 1983 there were drawings on the official reserves of £603 million (see Table 1) compared with £1,421 million in the previous year.

Overseas Direct Investment

Britain had overseas direct investment holdings of £44,000 million at the end of 1981

Table 1

Total Outward Direct Investment Analysed by Area

Book value of net assets at end of 1981 — *£ million*

Western Europe	10,021·3
European Community*	8,254·8
European Free Trade Association*	1,286·3
Other	480·2
North America	17,422·9
Canada	2,779·4
United States	14,643·5
Other developed countries	8,357·2
Rest of the world	8,155·4
World	43,956·9

*See Table 2 for member countries (excluding Britain in the case of the European Community).

Note: Differences between totals and the sums of their component parts are due to rounding.

Table 2

Outward Direct Investment by British Companies (Excluding Oil, Banking and Insurance) Analysed by Area

Book value of net assets at end of year — *£ million*

	1971	1974	1978	1981
Western Europe	**1,461·5**	**2,866·6**	**5,956·8**	**6,611·8**
European Community	1,198·4	2,289·7	4,590·5	5,494·0
Belgium and Luxembourg	149·7	324·9	680·6	528·8
Denmark	26·9	72·2	141·6	144·9
France	247·5	460·5	823·1	1,064·1
Federal Republic of Germany	305·7	668·6	1,465·1	1,510·2
Greece	6·7	7·7	20·3	29·5
Irish Republic	179·6	312·1	594·2	734·6
Italy	93·0	198·6	282·4	384·3
Netherlands	189·3	245·1	583·0	1,097·6
European Free Trade Association	163·2	377·2	1,026·9	690·8
Austria	14·2	81·4	130·3	63·7
Finland	7·5	13·8	*na*	*na*
Norway	14·3	23·1	30·8	50·2
Portugal	35·4	52·0	66·2	95·1
Sweden	38·4	93·9	169·0	157·3
Switzerland	53·4	113·0	606·6	287·4
Other	99·9	199·7	339·4	427·0
North America	**1,465·7**	**2,271·6**	**4,814·5**	**9,883·9**
Canada	671·0	941·2	1,255·9	1,504·7
United States	794·7	1,330·4	3,558·6	7,979·2
Other developed countries	**1,984·7**	**3,138·2**	**4,442·3**	**5,823·7**
Australia	1,137·5	1,917·2	2,613·3	3,534·5
Japan	15·9	39·7	111·7	187·2
New Zealand	155·7	184·0	*na*	315·3
South Africa	651·7	997·2	*na*	1,786·7
Other	23·9	—	—	—
Rest of the world	**1,755·0**	**2,159·4**	**3,894·1**	**6,225·7**
World	**6,666·9**	**10,435·8**	**19,107·7**	**28,545·1**

na = not available.

Note: Differences between totals and the sums of their component parts are due to rounding.

while other countries' holdings in Britain amounted to £28,700 million. The United States was by far the most important recipient of outward investment and the leading supplier of inward investment.

The 2 March issue of *British business* contains an article on the results of an inquiry into overseas direct investment[1] involving Britain in the period up to 1981. Assets are measured at book value (usually the price paid when acquired which, at times of inflation, may be far below the market value or replacement cost).

Outward Net Direct Investment

Britain's total net direct investment overseas at the end of 1981 amounted to nearly £44,000

[1]Direct investment overseas consists of long- and short-term funds given by investors in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net after deducting loans made by the affiliates to their direct investors.

Table 3

Total Inward Direct Investment in Britain Analysed by Area

Book value of net assets at end of 1981 — *£ million*

Western Europe	8,795·8
European Community*	6,502·2
European Free Trade Association*	2,244·5
Other	49·2
North America	17,438·9
Canada	1,043·2
United States	16,395·8
Other developed countries	1,312·8
Rest of the world	1,155·6
World	28,703·1

*See Table 2 for member countries (excluding Britain in the case of the European Community).

Note: Differences between totals and the sums of their component parts are due to rounding.

Table 4

Inward Direct Investment in Britain by Overseas Companies (Excluding Oil, Banking and Insurance) Analysed by Area

Book value of net assets at end of year — *£ million*

	1971	1974	1978	1981
Western Europe	**891·6**	**1,882·1**	**3,258·8**	**4,527·6**
European Community	498·4	1,108·2	2,035·1	2,585·7
Belgium and Luxembourg	40·4	209·7	371·3	343·3
Denmark	21·9	64·4	81·6	155·2
France	80·4	186·4	493·0	574·6
Federal Republic of Germany	59·8	168·2	262·0	627·0
Greece	*na*	0·3	0·4	0·1
Irish Republic	3·6	27·7	83·5	76·3
Italy	74·0	114·4	128·5	71·6
Netherlands	218·3	337·1	614·8	737·5
European Free Trade Association	387·4	759·7	1,221·8	1,921·8
Austria	2·2	5·3	*na*	17·1
Finland	18·4	53·5	77·5	*na*
Norway	4·6	33·4	48·1	78·1
Portugal	—	—	*na*	*na*
Sweden	75·8	165·7	298·5	470·7
Switzerland	286·4	501·8	789·4	1,224·7
Other	5·8	14·3	2·0	20·1
North America	**2,718·7**	**4,070·0**	**7,106·1**	**10,451·4**
Canada	270·7	404·4	637·8	892·0
United States	2,448·0	3,665·6	6,468·3	9,559·4
Other developed countries	**156·5**	**302·9**	**501·0**	**1,152·0**
Australia	29·2	59·6	173·3	330·3
Japan	13·3	−18·5	−23·9	324·1
New Zealand	5·6	11·4	18·2	24·8
South Africa	108·4	250·3	333·4	472·8
Rest of the world	**50·2**	**312·2**	**232·7**	**831·0**
World	**3,817·0**	**6,567·2**	**11,098·2**	**16,962·0**

na = not available.

Note: Differences between totals and the sums of their component parts are due to rounding.

million (see Table 1). Of this, 23 per cent was in western Europe (19 per cent in the European Community) and 40 per cent was in North America (33 per cent in the United States).

An analysis for the years leading up to 1981 (excluding oil, banking and insurance[1]) is given in Table 2. On this basis, the book value amounted to some £28,600 million at the end of 1981. Although the rate of increase has slackened a little since 1978, the rise in the 1970s was much greater than in the 1960s, reflecting, in the later period, both the higher rate of inflation and the fall in the exchange rate of the pound, which increased the sterling value of assets.

Between 1978 and 1981 the share of British outward direct investment in developed countries rose from 76 per cent to 78 per cent. Within this total, however, the proportion in the European Community fell from 24 per cent to 19 per cent while that in the United States increased from 19 per cent to 28 per cent.

A sharp growth in the value of non-manufacturing outward direct investment holdings in the period 1978-81 contributed to the rise in its share of assets from 38 per cent in 1978 to 43 per cent in 1981.

Inward Net Direct Investment

Net direct investment in Britain amounted to about £29,000 million at the end of 1981 (see Table 3). Of this, 31 per cent was from western Europe (23 per cent from the European Community) and 61 per cent from North America (57 per cent from the United States).

Excluding oil, banking and insurance, the book value amounted to £17,000 million at the end of 1981 (see Table 4). The annual rate of growth averaged some 18 per cent between 1978 and 1981, well below that in the early 1970s.

The developed countries remain the dominant owners of assets in Britain, accounting for 95 per cent of the total at the end of 1981. The share of the United States amounted to 56 per cent (having been as high as 67 per cent in 1968) while that of the European Community fell from 18 per cent in 1978 to 15 per cent in 1981.

Manufacturing accounted for 72 per cent of inward direct investment in Britain at the end of 1981 and non-manufacturing for 28 per cent, proportions which had not changed significantly since 1978.

[1]Customarily excluded from these figures to avoid the possible identification of the position of individual companies.

Co-operative Development Agency and Industrial Development Bill

The implementation of the Government's proposals on regional policy together with further government funding for the Co-operative Development Agency are provided for in the Co-operative Development Agency and Industrial Development Bill, which received its second reading in the House of Commons on 7 February.

MAIN PROVISIONS

The primary purpose of Part I of the Bill is to provide further government funding for the Co-operative Development Agency; the Agency's initial funding, under the Co-operative Development Agency Act (see pp 175-6, 1978), will be exhausted by August. It is therefore necessary either to provide funds for the Agency or to close it down.

Part II, which is the more significant, provides for the implementation of the Government's decisions on regional policy following the publication of, and subsequent consultations on, the December 1983 White Paper, *Regional Industrial Development* (see pp 15-18).

PARLIAMENTARY DEBATE

The second reading of the Bill in the House of Commons on 7 February was carried by 299 votes to 23, a government majority of 276. An amendment moved by the official Opposition which expressed regret at the limited resources available to the Co-operative Development Agency and at the reduction in aid through regional development grants (RDGs[1]), was defeated by 307 votes to 201, a government majority of 106 (*Hansard*, Vol 53, No 93, cols 777-855).

Government View

Co-operative Development

Opening the debate, the Minister of State for Industry, Mr Norman Lamont, said of Part I of the Bill that the Government favoured increased employee participation in business and wider capital ownership; it saw co-operative enterprises as an important way to encourage this. They brought together the interests of those working in an enterprise and the realities of making that enterprise succeed. They also offered those people who might never start a business on their own account a way of doing so by allying themselves with individuals of similar views.

For these reasons the Government believed that the co-operative form of enterprise had the potential to contribute to the creation of new businesses and jobs. However, ignorance of the co-operative option and lack of advice had limited that potential, and the Government had therefore supported the Agency in order to encourage the development of viable co-operatives. It was not the Government's purpose to subsidise co-operatives, but it was the purpose of the Agency to give advice to bring viable co-operatives into being. The Government was also convinced that the Agency represented a useful means of promoting employment and was a small but significant addition to its general policy towards small businesses. It pro-

[1]The present system of regional assistance is outlined on p 337, 1983. The 'assisted areas' (those in which industrial development of specified types is eligible for financial and other assistance from the Government) were defined as those parts of Great Britain with the highest levels of unemployment and where economic structure was weakest. They are mainly in Scotland, Wales and northern and south-western England, and are subdivided into Special Development Areas (in which assistance is judged to be most necessary), Development Areas and Intermediate Areas. The boundaries of these areas are defined on p 251, 1982.

posed to continue the Agency's funding; but in providing continued support it believed that the Agency should be encouraged to maximise its own earning powers and to seek increased support from the private sector. For that reason the Government intended to maintain funding at the present level of £200,000 a year for six years, but at the same time to free the Agency from some of the constraints placed upon it by the 1978 Act (for example, from the prohibition on the Agency from undertaking any commercial activity or forming partnerships – although this would not enable it to take equity shares in co-operatives). The Government was also anxious to put the funding on a basis that would give the Agency and its private sector supporters the confidence to pursue its objectives, and had decided, therefore, that the grants should be made available to the Agency for six years.

The Government proposed four specific changes to the Act: first, to give the Agency an additional power to make grants or loans (though it would not be able to use grants or loans from the Department of Trade and Industry to do so); secondly, to give it the explicit function of providing training courses; thirdly, to empower the Government to give general or specific directions to the Agency; and finally to provide for the dissolution of the Agency. (Although the Government did not intend to wind up the Agency, it seemed anomalous that legislation was necessary to provide either for its continued existence or its abolition.)

Regional Industrial Policy

In dealing with the regional provisions, the minister said that the Government had reaffirmed its commitment to an effective regional policy in *Regional Industrial Development*, which had put forward a firm framework for a new, more cost-effective scheme of RDGs.

The Government was introducing the regional provisions in the Bill at this stage, Mr Lamont said, so that all the decisions (including those on which there were to be consultations, such as the rates of RDG, the criteria for assisted area status, and the assisted area map and the degree of coverage that the map should have in the whole country) could be implemented in the autumn, after all the representations and views had been received. If the Government had delayed the introduction of the Bill, it would not have been possible to introduce all the new arrangements by then.

The Government had conducted an extensive review of 50 years of regional policy which had shown that many of the areas among the most disadvantaged in the 1930s were among those most in need of assistance today. It would be wrong to conclude that regional policy had had no effect; while there was considerable uncertainty about precisely how many jobs had been created by the policy, it had been estimated that, by the end of the 1970s, about 500,000 net jobs (including those created indirectly) might have been established in the assisted areas as a result of it. The policy had been particularly effective in creating jobs in Scotland (which now had a thriving electronics industry) and Wales (where there were a number of inward investment projects). The desirability of attracting inward investment was one reason why a regional policy was necessary (and was undoubtedly why every European Community member country had one). However, although half a million jobs might sound an impressive number, it had to be set against the considerable cost of the policy. The net cost per job created had been estimated at £35,000; nearly £20,000 million, at 1982 prices, had been spent on industrial incentives in the regions in the last 20 years. In addition there were the costs of distortion; some of the jobs created might have come into existence in any event in the non-assisted areas. The worst aspect of distortion had been caused by the system of the Co-operative Development Agency's Industrial Development Certificates (IDCs) which often forced companies, against their better judgment, to go to the regions. The Government had suspended IDCs. On the other hand, in weighing the costs and benefits of the policy, receipts from the European Regional Development Fund – amounting to £260 million in the previous year – had also to be taken into account; without a regional policy, Britain would not have received that money. In the Government's view, however, the policy had not only caused distortions, but had given extremely poor value for money.

The Government believed that the main instrument of regional industrial policy should continue to be an automatic scheme of RDGs. However, criticisms levelled against the present scheme, which made the case for change compelling, included the fact that the scheme took no account of jobs and was heavily weighted towards capital expenditure. As it was doubtful whether large, capital-intensive projects were beneficial to the regional economy, the Government proposed to make the RDG scheme more related to jobs. A job grant was to be introduced as an alternative to grants on capital expenditure on assets. It was proposed to limit grant on capital expenditure by means of a cost-per-job ceiling, so that a project would receive a grant only if, and to the extent that, it created jobs, though this ceiling would not normally be applied to small firms. Regional policy at present, Mr Lamont said, concentrated too much on manufacturing activities; jobs in services were just as important as those in manufacturing. One of the weaknesses of many regional economies, including those in Merseyside and the north-east, was that they lacked service industries.

The present scheme, Mr Lamont said, also aided replacement investment. This investment did not create jobs and would usually take place without grant being made. The Government intended to stop paying grant to investment which did not involve a change in the nature or scale of a company's activities.

However, in order to protect some modernisation projects essential to safeguard employment, selective financial assistance would be available, and the Government expected some increase in this. In order to avoid a regional policy that merely moved jobs around the country, relocation projects

leading to no net increase in jobs would normally be excluded from regional selective assistance. 'There would be less assistance for shuffling jobs from non-assisted areas to assisted areas and less assistance through RDG for shuffling jobs within assisted areas.'

The object of the new RDG scheme, Mr Lamont said, was to help the Government to meet its central aim of reducing regional disparities in employment opportunities. 'The proposals give better value for money and ensure a more cost-effective regional policy with far fewer distorting effects on the economy as a whole and on the non-assisted areas.'

Opposition Views

Speaking for the official Opposition, Mr Alan Williams said that the £200,000 annual funding for the Co-operative Development Agency did not seem to keep pace with the increase in workload. Staff costs had fallen in 1982-83, but this was largely because of the employment of those on secondment from industry. These people had a high turnover leading to a loss of continuity. If the Agency had the long-term quality of staff that it needed, the annual budget would be completely absorbed and probably would be inadequate to provide for staff on secondment.

The Labour Party was not opposed to some parts of the Bill dealing with regional policy (such as the removal of the automatic element in certain of the capital-intensive grants and the extension of the policy to the service industries); but, in general, it found the Bill 'ominous and penny-pinching and ... little to do with advancing regional policy'. The Government did not believe in regional policy. The Bill would deprive the assisted areas of £1,000 million, and destroy the only means of recovery that the old industrial areas had left.

Mr David Alton, speaking for the Liberal Party, contrasted the modesty of funding for the Agency with the much more generous provision for co-operatives in agriculture, which was a relatively small sector. He also thought that the Government would enjoy 'an unnecessary draconian power' to dissolve the Agency.

The Liberal Party welcomed the attempt to link RDGs more closely to job creation as well as the inclusion of service industries within the scope of proposed legislation. Nevertheless, Mr Alton questioned the breadth of the discretion which the Bill gave to the Secretary of State for Trade and Industry and the vast number of gaps that the Bill left. The Liberal Party believed that the scheme could become a lottery and another source of patronage for the Government.

Mr Ian Wrigglesworth, speaking for the Social Democratic Party, welcomed the first part of the Bill and also the general direction of the second. However, the Social Democrats would oppose the Bill as the second part cut resources given by the Government to the regions.

Government Reply

Replying for the Government, the Under-Secretary of State for Industry, Mr David Trippier, commended the Co-operative Development Agency for the professional way in which it operated. A measure of its success was that it now received 1,200 enquiries a year, an increase of 56 per cent since 1981 being handled by about half as many staff. It had made an important contribution to the notable growth of co-operatives from 300 in 1980 to 700 in 1983, a figure now thought to be approaching 1,000. It had been successful in keeping within its grant of £200,000 a year by a combination of good housekeeping and help from the private sector and the co-operative movement, achieving a contribution from these last two of £1 for every £2 from its public funding.

The Government's social objective for regional policy, which it believed was best achieved by economic means, was to reduce imbalances in employment opportunities and thus create stable long-term jobs in the regions. Much of the expenditure under the present RDG scheme was inconsistent with that objective. 'For future regional development grant we have presented proposals which reduce the payment of grant towards investment when no incentive is necessary. We believe that all of these proposals represent a constructive improvement in the industrial environment.'

Shorter Notes

INFLATION ACCOUNTING

The Accounting Standards Committee (ASC) approved, on 28 March, the adoption of a standard that would eventually require all companies to present their accounts in a way that allowed for the effects of changing prices.

A statement of intent on the revision of the ASC's *Statement of Standard Accounting Practice No 16 (SSAP 16), Current cost accounting* (see pp 170-1, 1980) proposed that the revised standard should apply initially only to public limited companies (PLCs) other than 'value-based' companies (that is insurance companies, property companies and investment-based companies). The ASC is not satisfied that a method has yet been developed for producing useful information, at justifiable cost, on the effects of changing prices on private and value-based companies; it is therefore commissioning further work on the application of current cost accounting to these companies. The accounts of PLCs are consulted by a large number of sophisticated users; as this does not generally apply to the accounts of private companies, the ASC believes that the benefits of applying current cost accounting to them immediately would be significantly smaller.

Source: ASC press notice, 29.3.84.

CITIZENS ADVICE BUREAUX

The Government intends to implement, in full, recommendations of the Lovelock report (see pp

100-1) for additional funding of £1 million to the National Association of Citizens Advice Bureaux during the financial years 1984-85 and 1985-86. Making the announcement in the House of Commons on 29 March, the Under-Secretary of State for Corporate and Consumer Affairs, Mr Alexander Fletcher, said that the annual level of funding to the National Association would be increased by £900,000 and that a once-and-for-all payment of £100,000 would be made. Subject to parliamentary approval and also to government decisions on public expenditure, the total increase of £1 million would be introduced in two stages: an extra £500,000 would be provided during the year 1984-85 (in addition to the grant of £6·6 million already announced) with another £500,000 to be added to the enlarged provision for 1985-86. The Government would be holding further discussions with the National Association to determine how the increased funding should be spent in the light of detailed proposals contained in the report.

Source: *Hansard*, Vol 57, No 131, written answers, cols 261-2.

AID FOR INDUSTRIAL INNOVATION

Six initiatives designed to encourage industry to use efficient and advanced equipment were announced by the Secretary of State for Trade and Industry, Mr Norman Tebbit, during the House of Commons debate on the Budget (see pp 121-7) on 19 March. The schemes do not entail any increase in the existing total of planned government expenditure.

First, as the initial allocation of £35 million to the Flexible Manufacturing Systems Scheme (see p 211, 1982) was almost fully committed, a further £20 million would be allocated, Mr Tebbit said.

Secondly, in recognition of the importance of design and quality as links between a company's productive capacity and its market, the Design Advisory Service Funded Consultancy Scheme (see p 211, 1982) would be extended to enable smaller companies to benefit.

Thirdly, as the £25 million set aside for the Software Products Scheme, following its relaunching in 1982 (see p 132, 1982), was also nearly fully committed, another £12 million would be allocated to carry it through to the middle of 1985. The Scheme would be revised to take into account two priorities – international competitiveness and productivity. It would therefore support the development of products which had major export potential or which made the most efficient use of scarce resources (for example, engineering tools and methods).

Fourthly, following the success of the existing 150 information technology centres (see pp 27 and 364, 1982), another 25 would be established.

Fifthly, £20 million would be provided under the Industrial Development Act 1982 (see p 364, 1982) for a four-year scheme to encourage the use of technologically advanced machinery by small and medium-sized firms in the clothing, footwear, knitting and textile industries. (The measures would operate in broadly the same way as the Small Engineering Firms Investment Schemes – see p 132, 1982, and p 142, 1983.) These industries, accounting for about 10 per cent of employment in manufacturing, had been affected by intense competition as well as the recession. A special provision of £1·5 million over three years would enable another 100 firms to make use of the Design Advisory Service Funded Consultancy Scheme each year.

Finally, as the £55 million assigned to the Microelectronics Industry Support Programme (MISP – see pp 304-5, 1978, and p 388, 1979) was all taken up, a new scheme, MISP 2, would provide for £120 million of government support up to 1990. Grants would be available for projects aimed primarily at the development, production and use of microelectronic components. By complementing the Alvey (see p 170, 1983) and ESPRIT (see p 117) programmes, which are concerned with long-term collaborative research across a broader spectrum of information technology, MISP 2 would help to ensure that the results of longer-term research programmes would be carried through into commercial projects.

The Secretary of State said that these measures were 'part and parcel of [the Government's] general approach to rewarding initiative and innovation .... The Government have now created the conditions for a more efficient and dynamic business sector in which there is the opportunity for both individuals and companies to strive, to seek, to gain and to be rewarded.'

Sources: *Hansard*, Vol 56, No 122, cols 717-19; Department of Trade and Industry press notices, 20.3.84 and 19.3.84.

PRIVATE SECTOR STEEL SCHEME

The success of the Private Sector Steel Scheme was described by the Minister of State for Industry, Mr Norman Lamont, in a written answer in the House of Commons on 7 March. 'Since the Scheme was launched in December 1981 [see pp 28-9, 1982] offers of assistance towards rationalisation and related costs have been made to more than 50 companies. The financial assistance involved in these offers, together with the money likely to be offered in respect of projects currently under appraisal, means that the £34·2 million allocated to the Scheme is fully committed, and the Scheme is therefore now closed.

'There can be no doubt that the Scheme has been a success. The Government introduced the Scheme in 1981 because it recognised that there was a special need to help the private steel sector tackle the problems caused by the continuing

decline in demand for steel products, and the consequent over-capacity which existed in the industry. The take-up by the industry was so encouraging that the allocation of funds for the Scheme was increased from £22 million to £34·2 million at the end of 1982' (see p 417, 1982).

A large proportion of firms in the steel industry had benefited from the financial assistance provided by the Scheme. Some of the funds had been used to help companies to close down or reduce the scale of their operations, but substantial sums had also been provided to assist companies to carry out restructuring and associated modernisation programmes aimed at improving their efficiency. With the help of the Scheme progress towards rationalisation had been achieved in most sectors of the industry. Mr Lamont said that he was 'convinced that the Scheme has played an important role in helping to create a healthier and more efficient private sector, better placed to compete in the difficult steel markets at home and overseas'.

Sources: *Hansard*, Vol 55, No 114, written answers, cols 595-6; Department of Trade and Industry press notice, 7.3.84.

ONSHORE OIL AND GAS LICENSING

New arrangements for onshore oil and gas licensing were announced in the House of Commons on 4 April by the Minister of State for Energy, Mr Alick Buchanan-Smith. The minister said that the record number of licence awards in recent years reflected 'the growing interest in and importance of onshore oil and gas exploration and production'. A review of the existing arrangements, under which licences were granted following individual requests from companies, had been completed. He had concluded that modifications to the licensing arrangements were required 'to ensure there is a sensible modern framework for onshore exploration and production which takes account both of the demand for licences and of current environmental interests'.

The new arrangements would comprise three types of licence, designed for the identifiable stages of exploration, appraisal and development. The exploration licence would last for six years and would allow the licensee to search and drill for oil and gas, subject to all necessary permissions from landowners and occupiers, and planning permission. Applications for exploration licences, which would be for blocks of 100 sq km (39 sq miles), would be invited within specified periods for any unlicensed area at the time of invitation. This would be a continuing process with the gaps between 'rounds' of invitations being only long enough to deal with current applications. An appraisal licence, which would be for a five-year period, would be awarded following a discovery under an exploration licence, and would enable the licensee to submit a suitable development programme and obtain long-term planning permission for its development. Both would be a prerequisite for an application for the 20-year development licence, which could be extended at the discretion of the Secretary of State for Energy if reserves remained in the licensed area.

Mr Buchanan-Smith said that planning safeguards would be maintained. He would continue to require evidence that the local planning authority had been consulted about any proposed seismic survey and that planning approval had been given before he consented to any well being drilled.

Sources: *Hansard*, Vol 57, No 134, written answers, col 540; and Department of Energy press notice, 4.4.84.

AEROSPACE INDUSTRY

Launch aid of up to £250 million for the development of the A320 aircraft (the new European Airbus) has been made available to British Aerospace (BAe) as part of the Government's strategy for the aerospace industry. The Secretary of State for Trade and Industry, Mr Norman Tebbit, announced in the House of Commons on 1 March that the Government had reached agreement with BAe on the terms of launch aid and that repayment would yield a real return on the Government's investment. As a result of the agreement it was understood that BAe would now join its partners in France, the Federal Republic of Germany and Spain in launching the A320 programme formally. The company would also proceed, without government assistance, with the development of the advanced turboprop (ATP) airliner (see p 295, 1982).

Mr Tebbit recalled that, in November 1983, the Government had announced launch aid of £70 million to assist with the development of the E4 version of the Rolls-Royce RB211-535 engine now powering all Boeing 757s in airline service. In February the Government had given approval for Rolls-Royce to participate in the V2500 project (an engine developed by the International Aero Engines Company, a five-nation consortium, to power 150-passenger airliners) and to collaborate with General Electric, of the United States, on larger civil engines (specifically, the 535E4 and the CF6-80C2, which will enter service later in 1984 and in 1985 respectively). 'These programmes represent the core of a civil engine strategy based on international collaboration and dedicated to commercial success', the Secretary of State said. These initiatives, together with announcements made in 1982 of launch aid for the Westland 30 helicopter (see p 295, 1982) and earlier in 1984 of the joint development by Westland Helicopters and Giovanni Agusta of Italy of the EH101 helicopter (see p 68), represented 'a clear commitment by the Government to sup-

port the efforts of the aerospace sector to maintain its position as an internationally competitive industry for the future.'

Source: *Hansard*, Vol 55, No 110, cols 403-4.

MEASUREMENT

A committee to review the metrological control of weighing or measuring equipment for commercial use has been set up by the Under-Secretary of State for Corporate and Consumer Affairs, Mr Alexander Fletcher. Announcing this to the House of Commons on 13 March, Mr Fletcher said that the committee, comprising representatives from trade, industry, local government, consumers and the Department of Trade and Industry, under an independent chairman, would consider the need for new provisions on metrological control more attuned to modern technology and trading conditions. The committee would examine those provisions of the Weights and Measures Acts 1963 and 1979 (see p 121, 1979) concerned with pattern approval, testing, stamping and inspection of weighing or measuring equipment for use for trade, taking account of the impact of modern technology. It would also look at alternative methods of metrological control, including self-certification by manufacturers, that might be applied in the future to weighing or measuring equipment, and their effect on legal provisions. The committee has been asked to present its recommendations to the Government by 31 December.

In a speech at a conference of the Institute of Quality Assurance on 1 March, the Under-Secretary of State for Industry, Mr John Butcher, said that measurement played an important role in virtually all sectors of industry and commerce: some £15,000 million a year – equivalent to about 6 per cent of Britain's gross domestic product – was spent on making measurements, by far the largest part of which was devoted to improving the performance of products and production processes. The beneficial effects of this expenditure were felt not only in the strong and healthy scientific instruments sector but throughout industry as a whole. 'For example, measurement is central to the accurate estimation of the output of our North Sea oil wells, which contribute some £12,500 million to our exports. Careful measurement also helps to improve the performance of optical fibres – an area of technology in which Britain has a world lead. On a more personal level, measurement of X-ray dosage in hospitals helps improve the safety of patient care.' In the future, the introduction of ever more technologically advanced products and production processes would create a huge demand for improved measurement techniques. These techniques could help firms to increase their competitiveness through cutting costs and wastage, ensuring that a product works well, according to its specifications, and facilitating the accurate manufacture of spare parts, and by helping to convince customers, especially export customers, of the quality and performance capabilities of the product.

The Government wished to stress the importance of achieving the highest levels of product quality (see p 173, 1983) in today's highly competitive markets. The national measurement system, operated by the Government, had a vital part to play in the task of making available an efficient national framework of standards (see pp 27-8), which in turn was crucial in helping industry to improve product quality and its chances of market success. At the heart of the system was the National Physical Laboratory (NPL), a publicly owned organisation which supplied most of Britain's expertise in measurement technology and was responsible for providing measurement standards. In addition to conducting research into better and more convenient measurement methods, the NPL operated two services aimed at spreading good measurement practice throughout the country – the British Calibration Service (which provided authenticated calibrations and measurements) and the National Testing Laboratory Accreditation Scheme (which granted official recognition to measurement and testing laboratories for products of all types from aerospace materials to household goods and furniture – see p 183, 1981). British firms and research organisations were recognised world leaders in measurement expertise. 'I am impressed by the excellence of the winners of the NPL's metrology awards scheme, and by small measurement-conscious companies like York Instruments in Hampshire which recently won an award for developing new instruments to measure the performance of fibre optics components [see pp 86-7, 417-18, 1982] – so critical for our policy of cabling Britain.'

Sources: *Hansard*, Vol 56, No 119, written answers, col 107; speech given at the Institute of Quality Assurance conference, 1.3.84.

POLLUTION ABATEMENT TECHNOLOGY AWARDS

The first annual awards to encourage improvements in pollution abatement technology and its application were presented in London by the Duke of Edinburgh on 14 March. The purpose of the awards is to identify, encourage and publicise innovations in technology to abate environmental pollution of all kinds. They are sponsored by the ERAS Foundation (Environmental Risk Analysis Systems – a charitable foundation for the improvement of the environment) and promoted by the Department of the Environment, the Confederation of British Industry and the Royal Society of Arts.

From the 81 entries submitted, four awards were made – to H.P. Bulmer, Rothamsted Experimental Station, WRC (Water Research Centre) Processes and the British Petroleum Research

Centre. H.P. Bulmer, a cider-maker and pectin manufacturer in Hereford, has developed a process in which a strain of heat-loving bacteria digest the effluent left over after extracting pectin from citrus peel. Worm-farming techniques have been developed by Rothamsted Experimental Station at Harpenden (Hertfordshire) to turn noxious organic waste into compost and then feed the worms to fish, poultry or pigs. WRC Processes at Stevenage (Hertfordshire) has devised a treatment to convert liquid sludge produced by waterworks into dry, manageable solid. An oil spill solidification process developed by the British Petroleum Research Centre at Sunbury-on-Thames (Surrey) enables oil slicks to be removed by peeling them from the water like rubber mats.

Source: Royal Society of Arts press notice, 7.3.84.

SOCIAL AND CULTURAL AFFAIRS

Reviews of the Social Security System

Two major reviews of the social security system which will examine the supplementary benefits scheme[1] and benefits for children and young people were announced by the Secretary of State for Social Services on 2 April. Together with reviews of provision for retirement and housing benefits[1] already initiated they will constitute the most substantial examination of the system since the Beveridge report nearly 40 years ago.

The Reviews

In a statement in the House of Commons in which he announced his intention to implement the reviews (*Hansard*, Vol 57, No 132, cols 652-60) the Secretary of State for Social Services, Mr Norman Fowler, said that, given the importance of social security, no responsible government could avoid the duty to look carefully at how the system worked. Total spending on social security amounted to £35,000 million, nearly 30 per cent of all public expenditure. Payments went to well over 20 million beneficiaries and almost 80,000 staff were required to administer the various schemes. The supplementary benefits scheme dealt with well over 4 million claimants and over 7 million people lived in households in receipt of supplementary benefit on which total expenditure was more than £5,500 million. In spite of changes introduced in 1980 the supplementary benefits scheme remained complex to administer and difficult to understand; some 35,000 staff were employed wholly on its administration. The Government believed it was essential to re-examine supplementary benefit and Mr Antony Newton, Parliamentary Under-Secretary of State in the Department of Health and Social Security, would lead a team to review the structure of the scheme and consider the scope for easing its administration.

The second area in which the Government had decided that a review was required was that of benefits for children and young people. Large sums of money were paid out for children through a complex pattern of benefits which included child benefit, housing benefit, family income supplement or one-parent benefit, or a combination of these. Support for young people depended on whether they were in employment, education or training. All these benefits had a sensible purpose but it was necessary to ensure that they were the best way of providing support. The Minister for Social Security, Dr Rhodes Boyson, would therefore lead a review of the present social security arrangements for giving help to families with children and to young people above school-leaving age.

Turning to the question of benefits for disabled people Mr Fowler said that progress was being made towards providing a more coherent system. Its longer-term development, however, would be helped by more reliable information about the numbers of disabled people, their circumstances and their needs. In view of this a full-scale survey of the disabled would be undertaken.

Before announcing the reviews Mr Fowler referred to two inquiries already initiated. He said that he was chairman of a thorough review already under way of provision for retirement, the largest single element in the social security system. A review of the housing benefit scheme had been announced in February and would be undertaken by Mr Jeremy Rowe, chairman of Peterborough Development Corporation. Housing benefit, which accounted for £4,000 million a year and was paid to one household in three, had increased rapidly in scale.

All the reviews, said Mr Fowler, would involve independent people from outside the Government and would seek evidence from the public. Their aim would be to identify the needs which should be provided for and to consider, within the existing constraints on resources, how they could most sensibly be met. The chairmen of all of the reviews had been asked to report their conclusions later this year.

[1]Supplementary benefits are payable to people who are not in full-time work and whose resources are below a certain level. Housing benefit is available to people with low incomes needing help with housing costs.

Microcomputers in Schools

The importance attached by the Government to the introduction of microtechnology into schools and the success of its Microelectronics Education Programme have been discussed in a speech by the Parliamentary Under-Secretary of State for Education and Science, Mr Robert Dunn. He also referred to the two- to three-year lead which Britain has developed

in the use of microtechnology in education. Points from Mr Dunn's speech, and brief accounts of the Microelectronics Education Programme and associated schemes under which all secondary schools and 70 per cent of primary schools have been provided with a microcomputer, are given below.

Speaking at the Didacta Congress in Basle, Switzerland,[1] on 21 March, Mr Dunn said that microtechnology had an important role to play in the classroom, both as a teaching aid and in stimulating new elements in the curriculum, and this was why the Government was putting such great emphasis on its introduction. Comments from visitors world-wide had indicated that British education was two to three years ahead of any other country in making use of microtechnology. The strategy adopted in the Government's Microelectronics Education Programme, announced in 1980, was to operate simultaneously in three equally important areas: curriculum development, with the provision of supporting software and equipment; teacher training; and information dissemination. The effective introduction of microtechnology into schools required the devotion of resources to each of these three interdependent areas.

Working closely with independent manufacturers and publishers had allowed the Programme to make available many computer programs for educational use. Nearly 1,000 programs had so far been published, covering the whole spectrum of arts, humanities and sciences for every age and ability level, and they would be complemented by hundreds more still in the development stage. Some of the software, said Mr Dunn, was expanding the boundaries of the educational process: work was being done in English schools by 14- and 15-year-olds of average ability which, five years ago, would have been undertaken by second-year undergraduates at university. The Programme set out to promote the sharing of ideas; this had been encouraged within Britain by the setting-up of information centres around the country where teachers could meet and learn from one another, and at the international level through visits by delegations and taking part in seminars.

The scheme had succeeded, said Mr Dunn, by building on existing expertise, and by developing and encouraging it. It had responded to local needs, clarifying and fostering them. The evidence showed that microtechnology was a key to the opening-up of new educational opportunities, and teachers and pupils were encouraging each other to explore and enjoy them to the full.

The Microelectronics Education Programme

The Microelectronics Education Programme was launched in March 1980 to extend the understanding and use of microelectronics and microcomputers in schools in England, Wales and Northern Ireland. Initially intended to run for four years, it was extended for a further two years in March 1983. (A separate but similar scheme – the Scottish Microelectronics Development Programme – was launched simultaneously in Scotland.) The Programme is designed to stimulate and support local initiatives rather than to replace them, and consists of a number of co-ordinated projects commissioned through national and local organisations and individual institutions. It is managed by a full-time director and a small central staff under the supervision of the Education Departments, which finance the projects with grants. The local education authorities are served by 14 regional information centres (12 in England and one each in Wales and Northern Ireland) which inform and advise teachers about the materials available under the Programme and organise teacher training. Priority is being given to curriculum development (especially in subjects such as science, mathematics, crafts, design and technology), including the development and supply to schools of more and better computer software; in-service teacher training (some 64,000 teachers out of a total of 400,000 are expected to have attended courses by December 1984); and the generation and organisation of resources.

There is provision in the Programme for work related to special education (that is, education for those with special needs arising from emotional or behavioural disorders as well as the physically or mentally handicapped).

Total expenditure on the Programme has so far amounted to £12 million. Funding for the Scottish Microelectronics Development Programme amounted to £1 million for the first four years; the Programme has now been established on a permanent basis as a division of the Scottish Council for Educational Technology.

Micros in Schools Project

The Micros in Schools Project, launched by the then Department of Industry in April 1981, fulfilled its objective of placing at least one microcomputer in every secondary school in Britain (more than 5,000 schools) by the end of 1982. (Secondary schools now have an average of four or five microcomputers each.) Money was made available to local education authorities and schools, including independent schools, on a pound-for-pound basis (that is to match funds provided locally) to buy either the Research Machine 380Z or the BBC Acorn microcomputer. Total spending on the scheme amounted to some £4 million.

Under an extension scheme launched in 1983 and due to continue to the end of 1984, further funding of £3 million has been granted to provide secondary schools with additional computer packages and ancillaries on a pound-for-pound basis.

Micros in Primaries Scheme

Under the Micros in Primaries Scheme, which began in October 1982 and will continue until the end of 1984, the Department of Trade and Industry is providing up to £9 million to provide microcomputers for every primary school in Britain on a pound-for-pound basis. Some 19,000 maintained and independent schools out of a total of 27,000 have so far bought computers at a cost of some £5·5 million.

[1]The Congress is associated with the biennial Didacta exhibition of educational equipment, the largest exhibition of its type, which attracts 60,000 leading educationists from around the world.

Schools and local education authorities may choose from three packages of equipment which have been selected on grounds of technological and educational merit with the help of teachers and advisers, in close liaison with the Education Departments. These packages include the microcomputer itself (either the BBC Acorn (model B), the Research Machine 480Z or the Sinclair ZX Spectrum), a cassette recorder, a visual display unit and an initial teacher training pack; each package is therefore ready for use as a complete system.

Strategy for the Arts

Increased funding, initially of £6 million, for the arts in the English regions and a corresponding reduction in support in London is the main proposal in a development programme for the next decade published by the Arts Council.[1] The programme will support new activity in five main areas – Art, Dance, Drama, Music and Education – focusing on 12 geographical areas. Greater responsibility will also be given to the 12 Regional Arts Associations. Council funding will be withdrawn from a number of organisations, including one of the four main London orchestras and certain theatres, and the Housing the Arts programme will be terminated.

The Arts Council is an independent agency which promotes the arts in general and allocates funds to companies and organisations in the living and performing arts. From a total budget of some £100 million for 1984-85, its main allocations include: the National Companies (the Royal Opera House, Covent Garden, the English National Opera, the Royal Shakespeare Company and the National Theatre), £28,994,250; the Regional Arts Associations, £11,114,500; Drama, £12,126,000; the Scottish Arts Council, £11,879,000; and the Welsh Arts Council, £6,918,000.

The Need for a Review

The report says that the Arts Council, though in existence for nearly 40 years, had not previously conducted a thorough and fundamental review of all its work. Since the arts were constantly changing, the Council needed to move with them. Because it had committed itself to a long and growing list of revenue clients (that is, companies and organisations funded annually), and because the scope of its work had broadened over the years, the Council needed to ask itself whether it was spreading its resources too widely and hence too thinly, at the expense of the vital, primary aspects of its work. The report of the House of Commons Select Committee on Education, Science and the Arts, *Public and Private Funding of the Arts* (see p 69), had drawn attention to the difficulties, in particular the imbalance in arts provision between London and the regions.

There had also been, says the report, important changes in the nature of the society which the Council was seeking to serve: the growth of enforced leisure, the severe economic depression of many of Britain's older city centres, changing perceptions of the requirements of a multi-cultural society and the rapid development of new communications media all had implications for the arts and for those charged with funding them. While developing its new strategy the Council would continue to press vigorously for the increases in funding which it believed the arts required.

Aims and Purposes

In seeking to adapt its policy to emerging needs, the Council has formulated four broad principles to serve as the foundations of future development. These are:

1 Raising the quality and increasing the quantity of arts provision in the regions to bring it nearer to the standards found in London.

2 Identifying new developments in the regions for direct support from the Council itself, focusing on the dozen or so areas within England where the population is most densely concentrated.

3 Making a start towards redressing certain historical imbalances in funding which favour some art forms at the expense of others.

4 In appropriate cases, basing the Council's own subsidy decisions more consistently and deliberately than in the past on the availability of matching funds raised locally.

Arts in the Regions

For some time, says the report, the Council's policy has been to develop the arts in the regions, as illustrated by the large subsidies for the major regional repertory theatre companies and symphony orchestras, the support for the Northern Ballet Theatre and the establishment of Opera North, the encouragement given to the growth of the Regional Arts Associations, and the Council's refusal in recent years to fund new developments in London. Nevertheless, the arts in London still attract almost half of the Council's expenditure in England, and it has been estimated that the Council's expenditure per head of the population in Greater London in 1980-81 was three and a half times as much as in the next-best-provided region, and nine times as much as in the least-well-provided region. The Council considers it inequitable that London, which holds about one-fifth of the population of England, should attract about half the Council's spending.

The development programme lays great emphasis on strengthening the major resources in drama which already exist in the regions, on the needs of the eastern part of the country for a better provision of orchestral music, on improving dance provision in the regions, and on greater co-operation between the Council and municipal art galleries. For these purposes, the Council has decided both to increase the grants available to a

[1] *The Glory of the Garden. The Development of the Arts in England: A Strategy for a Decade.* Arts Council, £2. ISBN 0 7287 0405 6.

number of its own clients working in the regions, and to substantially increase the responsibilities of the Regional Arts Associations.

The Major Areas of Population

The great bulk of the English population, says the report, lives in, or within comparatively easy reach of, 11 major cities: Birmingham, Bristol, Leeds, Leicester, Liverpool, London, Manchester, Newcastle, Nottingham, Sheffield and Southampton. By concentrating new development on areas lying within an approximate 30 miles radius of these centres (in London's case 50 miles), it will be possible to reach a population of about 40 million people (out of a total English population of some 47 million). The areas around Plymouth in the south west and Ipswich/Norwich in the east will also be included as strategic areas.

The Balance Between the Art Forms

The Council has never attempted to devise a formula for the apportionment of its grant-in-aid among the various art forms. Spending on opera, however, has necessarily been high by comparison with spending both on other art forms and on other kinds of music, and in 1984-85 will amount to some £19·5 million or 24 per cent of total spending, compared with only £5·8 million on other forms of music and some £8 million on dance. The Council has therefore concluded that the proportion of its funds spent on opera is too high, and the development programme seeks to go some way towards redressing this imbalance.

Challenge Funding

The development programme, the report says, represents to some degree a shift away from the Council's more usual practice of responding to the initiatives of others, and towards a policy of identifying needs and seeking to help supply them. To finance many of its proposals, the Council will issue challenges to local communities to match its funding, at least in part, whether from local authority resources or from other locally raised funds. While hoping for increases in arts funding by some local authorities, it also wishes to encourage greater support for the arts from business and industry. In recent years the contribution from private sources has increased considerably, and although very small by comparison with public expenditure on the arts, it is nevertheless a much-needed contribution. The Council will do all it can to develop such sponsorship and to encourage its clients to do the same.

The Development Programme

The Council's development programme over the next five years will give priority to five main areas of work: Art, Dance, Drama, Music and Education. To help it in its work, the Council will also increase the responsibilities and funding of the Regional Arts Associations. The programme will cost £6 million in its initial stages, of which £5·5 million will be found through a substantial switch of the Council's own resources. It is hoped that the Government will provide further funds, including in particular the £500,000 needed for the first phase of the programme. Its success will depend, in a large measure, upon the extent to which it attracts funds from other sources.

The Regional Arts Associations, says the report, are well placed to identify artistic needs and to assess the work of companies within their regions; they are close to their local authorities, and for many purposes can work in tandem with them more effectively than can the Arts Council. Nearly 80 per cent of their funding continues to come from the Council, and they account for some 14 per cent of its expenditure in England. There are already aspects of the arts, including arts centres, community arts, literature and photography, where the Associations are spending appreciably more than the Council and where they have responsibility for much larger numbers of clients. It is one of their essential purposes to make the arts more accessible and to build new audiences. They place great emphasis upon experiencing art in the context of a local community, supporting, for example, the various forms of artistic expression practised by black and Asian communities. It is a measure of the Council's confidence in the Associations that over the years it has devolved to their care more than 150 of its clients, and the new strategy carries forward the policy of devolution.

Financing the Development Programme

To finance its development programme the Council will make reductions in its spending within many of its areas of funding, but not within the allocations for the National Companies, the Regional Arts Associations, dance, arts, films and education, nor in the allocation for Scotland and Wales. Savings could come from its allocations to: music, theatre, art, literature, arts centres and community projects, training in the arts, housing the arts, and opera.

Among the changes resulting from reduced funding would be reduction to three of the number of self-governing orchestras based in London which benefit from Arts Council subsidy (the Council hopes to establish a permanent presence in the eastern part of the country and that one of the London orchestras may decide to move to that area); the withdrawal of subsidy from 15 theatre companies; and the ending of the Housing the Arts programme, under which money has been provided for adding to and improving the stock of buildings for the arts.

Shorter Notes

REPARATION FOR VICTIMS OF CRIME

The intention to introduce the principle of reparation to the victims of crime into the criminal justice system in England and Wales was announced by the Home Secretary, Mr Leon Brittan, in a speech on 14 March to the Holborn Law Society. He explained that through reparation the criminal justice system could concentrate its attention on the individual victim and the principle could be used to ensure that the wider interests of society were better served. Nothing was more

likely to induce remorse and reduce recidivism among a certain type of offender than being brought face to face with the human consequences of crime.

The Home Secretary outlined existing provisions for making the offender give something back to the community through community service and fines, and repeated his intention to introduce legislation to enable courts to deprive offenders of the profits of their crimes. Compensation now took precedence over a fine where the offender's means were limited. He added that he hoped that the courts' improved powers would lead to compensation being ordered even more frequently in future and that improved guidelines for magistrates in preparation would help them to make more compensation orders in personal injury cases. He reaffirmed his support for the Criminal Injuries Compensation Schemes which the Government hoped to put on a statutory basis during this Parliament and for Victim Support Schemes. He also announced that he was examining ways of ensuring that victims were kept properly informed of what was happening in court cases in which they were personally concerned.

Direct and immediate reparation could in some instances satisfy the victim, so that the police might feel that prosecution was no longer in the public interest, said Mr Brittan, although this could apply only to minor offences. He gave as an example damage to someone's house or garden, perhaps accompanied by theft. The victim might feel that there was nothing to be gained by punishment at that stage. He would want his property back and the damage repaired, which offenders might well be capable of doing, or they could undertake some task for an agreed period. Some arrangement of this kind might be an alternative to prosecution or, once the case was before the court, it might be considered in place of a sentence. The approach was being tried in several projects in the United States and interest in such schemes was developing in this country.

The Home Secretary said that to succeed projects of this kind should, at least initially, be rooted in individuals' and communities' own choices, rather than laid down by the Home Office. He hoped that the Government might be able to give some financial assistance to a few experiments and to help in evaluating them.

These ideas needed very careful handling, said Mr Brittan. Many victims would not want to meet offenders and in such a case the wishes of the victim should be paramount. There would be many cases which were too serious for any conceivable form of reparation to be a sufficient penalty. Above all, reparation should not be seen as a soft option; it should take its place as part of the criminal justice system's total response.

Source: Home Office press notice, 14.3.84.

TECHNOLOGY IN SCHOOLS

British School Technology, an independent education centre to promote technology in secondary schools and colleges, is to be developed with funding of £2·5 million over three years from the Department of Trade and Industry and the Manpower Services Commission.

Announcing the funding, Mr Kenneth Baker, the Minister of State for Industry and Information Technology, said that the new centre would provide help to local education authorities wanting to introduce courses into their schools, assist in training teachers, co-operate with examination boards to assess new courses, and assist new firms planning to produce equipment for British schools and for export.

The project, he said, enjoyed the full support of the Department of Education and Science, which saw technology as an important course in schools for which there is still at present an inadequate supply of teachers.

Funding for British School Technology was being provided on the basis that it would become a self-financing education centre in the shortest time possible. It was hoped that it would attract sponsors willing to contribute funds to help it to achieve its objectives.

The centre has its origins in a centre for school technology established in the 1970s by the Trent Polytechnic at Nottingham and Bedfordshire education services, which developed in-service training techniques for teachers. Among the resources of the new centre will be new mobile laboratories equipped for teaching pupils and training teachers.

Source: Department of Trade and Industry press notice, 2.4.84.

SMOKING AND HEALTH

A new voluntary agreement has been reached between the Government and the tobacco industry on product modification in relation to cigarettes. The new agreement, announced in the House of Commons by Mr John Patten, Parliamentary Under-Secretary of State in the Department of Health and Social Security, replaces the product modification measures contained in a previous agreement in November 1980 (see p 374, 1980).

The industry has agreed to further reduce the average tar yield of cigarettes to about 13 milligrammes by the end of the agreement (31 December 1987); progress will be reviewed annually with the Health Departments. (Between 1979 and the end of 1983, the period covered by the previous agreement, the average tar yield of all cigarettes sold fell by 12 per cent to about 15 mg.) To provide a more appropriate framework for further tar reduction the industry has agreed to adopt a revised tar group structure to take effect from 1 January 1985. The new structure is: Low Tar, less than 10 mg per cigarette; Low to Middle Tar, 10 mg but less than 15 mg; Middle Tar, 15 mg but less than 18 mg; High Tar, 18 mg and above. Cigarette brands with a tar yield of less than 18 mg will not be intentionally reformulated to yield 18 mg or over. From 1 January 1985 no

new brands will be introduced with a tar level above the sales-weighted average for the Low to Middle and Middle Tar brands. The industry will continue to print tar group information on cigarette packets and related advertising. It will also supply information on the sales-weighted tar, carbon monoxide and nicotine yields for cigarettes sold in Britain and will discuss this information with the Independent Scientific Committee on Smoking and Health and the Department of Health and Social Security in the context of progress in the tar reduction programme. Existing arrangements in relation to the control of substitutes and additives by the industry will be continued.

Subject to a review of progress, the industry will continue to provide over the period of the agreement up to £1 million a year for independent monitoring research, as proposed by the Independent Scientific Committee on Smoking and Health, into the effects of product modifications.

Source: *Hansard*, Vol 56, No 125, cols 576-8.

DOCUMENTATION

Government and Administration

Register of Members' Interests on February 7 1984. HMSO, £6·40. ISBN 0 10 224984 9.

Equal Opportunities for Women in the Civil Service: Programme of Action (see p 111). Available free from Room 320, Cabinet Office (Management and Personnel), Standard House, Northumberland Avenue, London WC2N 5AA. ISBN 0 7115 0057 6.

Parliamentary Commissioner for Administration. Annual Report for 1983 (see p 113). HMSO, £4·70. ISBN 0 10 232284 8.

External Affairs and Defence

Elections to the European Parliament. COI, No 235/84.

Future Financing of the Community. Twelfth Report from the House of Lords Select Committee on the European Communities, Session 1983-84. HMSO, £9·90. ISBN 0 10 412684 1.

The 1984-85 Farm Price Proposals. Fourteenth Report of the House of Lords Select Committee on the European Communities. HMSO, £4·15. ISBN 0 10 493384 4.

Commonwealth Scholarship Commission: Twenty-Fourth Annual Report. Covers the activities of the Commission for the year ended 30 September 1983. HMSO, £7·50. ISBN 0 11 580252 5.

Economic and Scientific Affairs

Regional Trends 1984. HMSO, £18·50. ISBN 0 11 620099 5.

Financial Statement and Budget Report 1984-85 (see p 127). HM Treasury. HMSO, £5·35. ISBN 0 10 230484 X.

Supply Estimates 1984-85. HM Treasury. Cmnd 9161. HMSO, £7. ISBN 0 10 191610 8.

The Next Ten Years: Public Expenditure and Taxation into the 1990s (see p 127). HM Treasury. Cmnd 9189. HMSO, £4·55. ISBN 0 10 191890 9.

The Government's Expenditure Plans 1984-85 to 1986-87. Together with the Proceedings of the Committee, Minutes of Evidence and Appendices. Third Report from the House of Commons Treasury and Civil Service Committee. HMSO, £5. ISBN 0 10 228584 5.

Accounts of the Government Loans Fund for the Financial Year 1982-83 ended March 31, 1983, together with the Report of the Comptroller and Auditor-General thereon. Department of Finance and Personnel (Northern Ireland). HMSO, Belfast, £3·35. ISBN 0 337 23413 2.

British Overseas Trade Board. Report 1983 (see p 129). Available free from British Overseas Trade Board, Publicity Unit, 1 Victoria Street, London SW1H 0ET.

Employment Medical Advisory Service: Health and Safety 1981-82. HMSO, £4·50. ISBN 0 11 883738 9.

Guest, Keen and Nettlefolds PLC and AE PLC. A report on the proposed merger. Monopolies and Mergers Commission. Cmnd 9199. HMSO, £6·20. ISBN 0 10 191990 5.

United Kingdom Mineral Statistics 1983. British Geological Survey. HMSO, £13·50. ISBN 0 11 884280 3.

Proposals for Legislation on Ship Registration and Other Matters: A Consultative Document. Available from Marine Directorate, Department of Transport, Sunley House, 90 High Holborn, London WC1V 6LP.

Trafalgar House PLC and the Peninsular and Oriental Steam Navigation Company. A report on the proposed merger. Monopolies and Mergers Commission. Cmnd 9190. HMSO, £6·85. ISBN 0 10 191900 X.

Scientific Opportunities and the Science Budget 1983. A report to the Secretary of State for

Education and Science from the Advisory Board for the Research Councils. Available from Publications Despatch Centre, Department of Education and Science, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Water Pollution Control in Scotland: Recent Developments. Available from the Scottish Development Department, Pentland House, 47 Robb's Loan, Edinburgh EH14 1TY, £6.

Social and Cultural Affairs

Compendium of Health Statistics. 5th edition, 1984. Office of Health Economics. Available from the OHE, 12 Whitehall, London SW1A 2DY. £15.

Britain's Open University. COI, No 2/84. (Spanish version in preparation.)

Education Observed. A review of the first six months of published reports by HM Inspectors. Available free from Publications Despatch Centre, Department of Education and Science, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Education for Employees – an HMI Survey of part-time release for 16-19 year olds. A report by Her Majesty's Inspectorate on education provision for 16-19 year olds who are released by their employers to attend part-time non-advanced further education courses of a vocational and technical nature. HMSO, £2·50. ISBN 0 11 270397 6.

Britain's New Towns. COI, No 165/84. (Spanish version in preparation.)

Historic Buildings Council for England: Annual Report 1982-83. The Council was superseded on 1 April 1984 by the Historic Buildings and Monuments Commission (see p 186, 1983). HMSO, £5·15. ISBN 0 10 230784 9.

National Heritage Memorial Fund: Third Annual Report 1982-83. Available from the Fund, Church House, Great Smith Street, London SW1P 3BL, £2·50.

The Glory of the Garden. The Development of the Arts in England: A Strategy for a Decade (see p 144). Arts Council, £2. ISBN 0 7287 0405 6.

Export of Works of Art 1982-1983. Twenty-Ninth Report of the Reviewing Committee appointed by the Chancellor of the Exchequer. Cmnd 9206. HMSO, £4·95. ISBN 0 10 192060 1.

© *Crown copyright 1984*

Printed in the UK and Published by
HER MAJESTY'S STATIONERY OFFICE
£1.65 net

Annual subscription including indices and postage £21

Dd. 8334291 C10 APRIL/1984
ISBN 0 11 727218 3 Vol. 14 No. 4
ISSN 0039—6214